Supreme Court, U.S.
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No. 03-

IN THE

Supreme Court of the United States

IDAHO POTATO COMMISSION,

Petitioner,

v.

M & M PRODUCE FARM & SALES
D/B/A M & M PRODUCE, M & M PACKAGING, INC.,
MATTHEW ROGOWSKI AND MARK ROGOWSKI,

Respondents.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED FOR REVIEW

Whether the decision of the United States Court of Appeals for the Second Circuit to abrogate state law rights to enforce a contract, based simply on the balancing of public and private interests, conflicts with this Court's standards for preempting state law in the intellectual property context as delineated in *Aronson* v. *Quick Point Pencil Co.*, 440 U.S. 257 (1979) and *Lear, Inc.* v. *Adkins*, 395 U.S. 653 (1969), and with the decisions of other courts refusing to preempt state contract law under the Lanham Act?

PARTIES TO THE PROCEEDINGS

All parties are listed in the caption.

RULE 29.6 STATEMENT

Petitioner, the Idaho Potato Commission, is a governmental agency of the State of Idaho for which Rule 29.6 is not applicable.

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PETITION FOR A WRIT OF CERTIORARI

Petitioner Idaho Potato Commission ("Commission") respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Second Circuit in this case.

JUDGMENT FOR WHICH REVIEW IS SOUGHT

The judgment for which review is sought is reported at 335 F.3d 130 (2d Cir. 2003), and is reproduced in the Petition Appendix ("App.") at 1a-20a. The memorandum and order of January 22, 1999 of the United States District Court for the Southern District of New York is reported at 35 F. Supp. 2d 313 (S.D.N.Y. 1999) (App. 39a-64a). The August 26, 1998 Memorandum and Order (App. 65a-96a), and the May 14, 2002 Memorandum and Order (App. 21a-38a) are unreported.

JURISDICTION

The judgment of the Second Circuit was entered on July 11, 2003. (App. 1a). The Second Circuit denied rehearing en banc on September 2, 2003. (App. 97a-98a). This Court issued an order granting an extension of time to file this petition on November 20, 2003 to and including January 15, 2004. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

STATUTES OR OTHER PROVISIONS INVOLVED

Relevant portions of the Lanham Act, 15 U.S.C. §§ 1051 et seq., are reproduced at App. 99a-117a.

STATEMENT OF THE CASE

This case presents fundamental questions regarding the proper relationship between state contract law and federal

intellectual property law. In *Aronson* v. *Quick Point Pencil Co.*, 440 U.S. 257 (1979) and *Lear, Inc.* v. *Adkins*, 395 U.S. 653 (1969), this Court delineated the test for determining the circumstances under which the federal law of intellectual property preempts state contract law. The Court, in *Aronson*, found that "[i]n this as in other fields, the question of whether federal law pre-empts state law involves a consideration of whether that law stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress." 440 U.S. at 262 (internal quotation marks omitted) (quoting *Kewanee Oil Co.* v. *Bicron Corp.*, 416 U.S. 470, 479 (1974), and *Hines* v. *Davidowitz*, 312 U.S. 52, 67 (1941)). Similarly, in *Lear*, the Court explained that the "decisive question" in determining when enforcement of contractual provisions under state law is preempted by federal law is "whether overriding federal policies would be significantly frustrated." 395 U.S. at 673. Indeed, this Court has repeatedly held, not only in *Lear* and *Aronson* but also in decisions concerning other fields of federal law, that questions of contractual abrogation raise profound issues under our federal system of congressional intent to displace state law, and must be measured in light of the presumption in favor of state law that is embedded in the doctrine of conflict preemption.[1]

The Second Circuit's decision in this case directly conflicts with the preemption precedent set down by this Court. The Second Circuit ignored the governing preemption test, and instead abrogated Petitioner's right under state contract law to enforce a clause in a licensing agreement that prevents a

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[1] *See, e.g., American Airlines, Inc.* v. *Wolens*, 513 U.S. 219, 228-33 (1995) (analyzing defense of express preemption of breach-of-contract claims under the Airline Deregulation Act); *AT&T Co.* v. *Central Office Tel., Inc.*, 524 U.S. 214, 221-26 (1998) (holding state breach-of-contract claims preempted by the federal filed-rate doctrine under the Communications Act); *Belknap, Inc.* v. *Hale*, 463 U.S. 491, 498-512 (1983) (analyzing whether the National Labor Relations Act preempted breach-of-contract claims by strike replacement workers).

licensee from challenging the validity of a certification mark. The court's analysis involved no more than simply "balancing" the private interests in a contract with "the public injury that might result from enforcement." App. 13a. Not only did the Second Circuit apply the wrong legal standard of preemption, but its analysis is inconsistent with decisions of multiple circuits that refuse to extend *Lear* preemption to Lanham Act marks.

The question presented—*viz.*, the standard for preempting state contract law by federal intellectual property law—is an issue of great constitutional and public importance. This question is especially important for the owners of certification marks, and for consumers that benefit from these marks. The Second Circuit's decision disrupts licensing relationships across an entire field of intellectual property, and may result in abandonment, or limited enforcement, of certification marks that producers, consumers, and government entities depend upon to convey critical market information across a wide range of goods and services. This Court's review is imperative.

A. Statutory Background

The Lanham Act extends federal intellectual property protection to certain marks that are used in interstate and foreign commerce: namely, trademarks, service marks, collective marks, and certification marks. 15 U.S.C. § 1127 (definition of "mark"). A trademark "includes any word, name, symbol, or device, or any combination thereof" that a person uses (or applies to register with intent to use) "to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown." *Id.* A service mark is the equivalent of a trademark for the purpose of distinguishing a person's *services*, rather than goods, from those provided by others. *Id.* The third category of protected mark is a "collective mark," which refers to a trademark or service mark used (or

intended for use) "by the members of a cooperative, an association, or other collective group or organization," and "includes marks indicating membership in a union, an association, or other organization." *Id.*

The final type of Lanham Act mark, at issue in this case, is the certification mark, which is defined as:

> any word, name, symbol, or device, or any combination thereof—
>
> (1) used by a person other than its owner, or
>
> (2) which its owner has a bona fide intention to permit a person other than the owner to use in commerce and files an application to register on the principal register established by this chapter,
>
> to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization.

Id. Unlike other marks, a certification mark is used by a person other than its owner. *Id.*

Certification marks (like collective marks) may be registered with the U.S. Patent and Trademark Office ("USPTO") "in the same manner and with the same effect as are trademarks, by persons, and nations, States, municipalities, and the like, exercising legitimate control over the use of the marks sought to be registered," and "when registered they shall be entitled to the protection provided in this chapter in the case of trademarks." *Id.* § 1054. See also *id.* § 1051 (explaining role the USPTO). Certification marks "are generally treated the same as trademarks for purposes of trademark law." *Levy* v. *Kosher Overseers Ass'n of Am., Inc.*, 104 F.3d 38, 39 (2d Cir. 1997). Specifically, any person who, without the consent of the trademark or certification mark registrant, uses

> in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . . shall be liable in a civil action by the registrant for . . . remedies.

15 U.S.C. § 1114(1)(a).

Registered marks may be subject to cancellation at any time based on the grounds listed in 15 U.S.C. § 1064(3), including in situations where the mark has become generic, is deemed functional, is abandoned, or is misused in a manner that misrepresents the source of the goods with the consent of the registrant. Additionally, certification marks are subject to cancellation on the grounds provided by 15 U.S.C. § 1064(5), when the registrant:

> (A) does not control, or is not able legitimately to exercise control over, the use of such mark, or (B) engages in the production or marketing of any goods or services to which the certification mark is applied, or (C) permits the use of the certification mark for purposes other than to certify, or (D) discriminately refuses to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies.

Id. § 1064(5).

The Federal Trade Commission is granted specific authority to apply for cancellation of marks, including certification marks, pursuant to 15 U.S.C. § 1064.

B. Factual Background

This case arises out of the unauthorized use by Defendant-Respondent M & M Produce Farm & Sales ("M & M") of Plaintiff-Petitioner Idaho Potato Commission's ("Commission") registered certification marks for "Idaho®" potatoes.

In particular, the question presented in this Petition relates to a provision of a standard licensing agreement freely entered into between M & M and the Commission. M & M agreed therein that the "Idaho®" certification marks "are valid" and that it would "not during the term of the agreement, or at any time thereafter, attack the title or any rights" of the Commission in the relevant marks. M & M argues that this provision is unenforceable under federal law. App. 2a.

The Commission is a statutorily-created state agency organized for the purpose of "promoting the general welfare" of the people of Idaho by expanding the markets and increasing consumption of potatoes produced in the state. Idaho Code §§ 22-1201, 22-1202. The Commission does not itself sell potatoes; instead, it regulates the use of various certification marks in order to prevent potatoes produced in other locales from being marketed as Idaho potatoes. *Id.* § 22-1207(10)-(13). Among the Commission's certification marks at issue in this dispute are the word "IDAHO" in a distinctive font, and the phrase "GROWN IN IDAHO" written inside an outline of the State of Idaho. App. 45a, 67a. They certify that "goods so marked are grown in the State of Idaho."

In order to exercise control over the marks, as required by 15 U.S.C. § 1064(5), the Commission requires all producers and distributors of potatoes to enter into a licensing agreement before making use of its certification marks.[2] In return for the right to use the marks, licensees agree to limit use of the marks to potatoes that are grown in Idaho and meet the quality standards set by the Commission. App. 3a. Licensees also agree to maintain records that enable the Commission to verify compliance with their obligations. *Id.*

The Commission entered into a licensing agreement with M & M in 1990, permitting M & M to use the "Idaho®"

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[2] Purchasers of small five- and ten-pound consumer bags of potatoes are exempt from the licensing requirement. App. 3a n.3

certification marks in its role as an intermediary in the distribution of potatoes. Specifically, M & M purchased potatoes in bulk from licensed Idaho potato vendors, and repackaged them for sale in bags with the certification marks. The relationship between M & M and the Commission began to unravel in 1994, when M & M failed to produce records necessary to satisfy the audit requested by the Commission pursuant to the licensing agreement. Consequently, M & M formally relinquished its licensing rights in February 1995.

Despite having surrendered its rights to use the Commission's certification marks by withdrawing from the licensing agreement, M & M continued to repackage potatoes in bags with these marks in cooperation with its largest customer, G&T Terminal Packing, Inc. The Commission learned of M & M's activity in October 1997, and filed the current lawsuit.

C. Proceedings Below

1. The lawsuit was filed in the United States District Court for the Southern District of New York, alleging violations of federal and state law, including claims of trademark infringement pursuant to 15 U.S.C. § 1114, and unlawful and unfair competition in violation of New York and Idaho law. M & M filed counterclaims, including challenges to the validity of Commission's certification marks.

The district court held that M & M was estopped from challenging the Commission's certification marks as a result of the provision in its licensing agreement acknowledging the validity of the marks, and agreeing not to challenge the marks either during or after the term of the licensing agreement. The court, citing prior decisions in which other courts have upheld similar no-challenge provisions in the trademark context, concluded that "courts have consistently enforced estoppel in circumstances directly analogous to this case." App. 74a. The district court found that the distinctions

between trademarks and certification marks do not require a different result with respect to the enforceability of a no-challenge clause in a licensing agreement.

A jury returned a special verdict on the Commission's infringement claims against M & M, finding that M & M had sold potatoes in bags with the Commission's certification marks and without consent, and awarded $41,962 in damages. App. 21a. The award of damages was overturned by the district court on the ground that the evidence did not support it. Nonetheless, the district court enjoined M & M from using the Commission's certification marks, unless licensed to do so.

2. The Commission appealed the district court's order vacating the award of damages. The Second Circuit, finding the district court's opinion to be ambiguous, remanded the case back to the district court to clarify its decision on damages. App. 19a-20a.

This Petition relates to M & M's cross-appeal from the district court's August 1998 Order barring M & M from challenging the validity of the certification mark, pursuant to the no-challenge provision in the licensing agreement. M & M argued that the no-challenge provision should not be enforced because it violated public policy.

The Second Circuit first concluded that the Supreme Court's holding in *Lear, Inc.* v. *Adkins*, 395 U.S. 653 (1969), which rejected the doctrine of licensee estoppel in the field of patents, should be extended to the separate arena of certification marks. App. 10a-13a. The Second Circuit reached this conclusion, despite finding that *Lear*'s holding had been rejected in the trademark context, and that certification marks and trademarks had traditionally been viewed in the same manner. *Id.* at 14a.

The Second Circuit then proceeded to preempt the no-challenge provisions of the licensing contract by balancing the interests of the owner of a certification mark with the

"public interest in certification marks." App. 13a-15a. The court stated that it "appears. . . that" the protected public interest promoted by certification marks, which it conceptualized as "a free market for the certified product unaffected by the possible competing economic interests of the certification mark owner," "is akin to the public interest . . . embodied in the patent laws." *Id.* at 15a, 16a. The court found that the no-challenge provision in the licensing agreement injures the public by placing a "non-quality-control related restriction on the sellers of the certified product," and by preventing challenges by licensees that "may often be the only individuals with enough economic incentive to challenge" the marks. *Id.* Although the Second Circuit recognized that courts have reached different conclusions when considering no-challenge clauses in the trademark context, the court ultimately found that the strength of the public interest outweighs the interests in protecting the enforceability of licensing agreements for certification marks. *Id.* at 15a-16a.

REASONS FOR GRANTING THE PETITION

The Second Circuit's use of a balancing test to abrogate the Idaho Potato Commission's state law right to enforce a contractual provision, conflicts with the well-established preemption doctrine established by this Court and opens conflicts with the decisions of other courts of appeals. See *Aronson*, 440 U.S. at 262 (finding that "the question of whether federal law pre-empts state law involves a consideration of whether that law stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress") (internal quotations omitted); *Lear*, 395 U.S. at 673 (holding that the "decisive question" in preemption analysis is "whether overriding federal policies would be significantly frustrated."). Moreover, the Second Circuit has broken from a long line of decisions of other courts of appeals refusing to find contractual clauses

prohibiting challenges to the validity of a mark ("no-challenge clauses") preempted by the Lanham Act. This Court should grant certiorari to restore uniformity in the law of preemption under the Lanham Act.

I. THE LEGAL STANDARD APPLIED BELOW CONFLICTS WITH PRECEDENT OF THIS COURT AND OTHER COURTS OF APPEALS.

This Court has consistently applied general principles of conflict preemption doctrine in determining whether state law contract rights are enforceable under the federal intellectual property laws. "Commercial agreements traditionally are the domain of state law," and are "not displaced merely because the contract relates to intellectual property." *Aronson*, 440 U.S. at 262. When confronting the issue of whether an element of state contract law is preempted by federal intellectual property law, the "decisive question is whether overriding federal policies would be significantly frustrated," *Lear*, 395 U.S. at 672-73, *i.e.*, whether state law "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress," *Aronson*, 440 U.S. at 262 (internal quotation marks omitted).

The Second Circuit's decision is contrary to the preemption standard established by this Court. The court below substituted an ad hoc judicial balancing test, purportedly derived from *Lear*, that determines whether state law is preempted based on a comparison of private interests in contract enforcement with "the public interest in certification marks and the public injury that might result from enforcement of the estoppel provision in the contract." App. 13a. The Second Circuit's reasoning is based on a fundamental misreading of this Court's decision in *Lear*.

1. In *Lear*, an inventor had entered into a licensing agreement under which Lear, Inc. had agreed to pay royalties to the inventor-licensor, but reserved the right to terminate the agreement in the event that the licensor's invention was

determined to be unpatentable, or the patent found to be invalid. 395 U.S. at 657-60. The licensor contended that the licensee could not challenge the validity of the patent under the doctrine of licensee estoppel, and that the licensee was required to pay royalties pursuant to the terms of the agreement. *Id.* at 660-61, 675.

The first issue decided in *Lear* was whether this Court's prior holding in *Automatic Radio Manufacturing Co.* v. *Hazeltine Research*, 339 U.S. 827, 836 (1950), that licensee estoppel was "the general rule" under the federal patent laws, was still good law. Noting the "chaos of conflicting case law," *Lear*, 395 U.S. at 668, the Court stated that applying the general principle of estoppel to a license to use an invalid patent was hard to reconcile with "the standards of good-faith commercial dealing." *Id.* at 669. If a licensor procured an invalid patent, it was either by fraud or by errors of the Patent Office in an *ex parte* proceeding. *Id.* The Court thus concluded that "[s]urely the equities of the licensor do not weigh very heavily when they are balanced against the important public interest in permitting full and free competition in the use of ideas." *Id.* Moreover, protection of the public interest depends on licensees who alone have "enough economic incentive to challenge the patentability of an inventor's discovery," and thus "the public may continually be required to pay tribute to would-be monopolists without need or justification." *Id.* The Court therefore abandoned its prior holding in *Automatic Radio* that licensee estoppel was the "general rule" under the federal patent laws. *Id.* at 671.

But the *Lear* Court, in assessing the relevant private and public interests underlying the estoppel rule, never departed from the established requirement that a claim of federal abrogation of state contract remedies and defenses must meet the stringent standards of federal preemption doctrine. When the Court turned to the "difficult question" actually presented by the licensing agreement in that case of "whether federal patent policy bars a State from enforcing a contract regulating

access to an unpatented secret idea," *id.* at 672, the Court applied the traditional standard of implied conflict preemption: "The decisive question is whether *overriding federal policies would be significantly frustrated* if licensees could be required to continue to pay royalties during the time they are challenging patent validity in the courts." *Id.* at 673 (emphasis added). The Court's declaration of the "significantly frustrated" standard was followed by its consideration of the consistency of the contract "*with the aims of federal patent policy*," and the Court's evaluation of whether enforcement of the contract caused "*substantial impairment of overriding federal policy.*" *Id.* at 672-73 (emphasis supplied). The Court concluded that, on the facts of that case, "enforcing this contractual provision would *undermine the strong federal policy* favoring the full and free use of ideas in the public domain." *Id.* at 674 (emphasis supplied).

The *Lear* Court's concern over whether "federal policies would be significantly frustrated" tracks this Court's well-established test for conflict preemption that determines when, and to what extent, state law is displaced by a federal statute. See, *e.g., English* v. *General Elec. Co.*, 496 U.S. 72, 79 (1990) ("[S]tate law is pre-empted to the extent that it actually conflicts with federal law."); *Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 U.S. 141, 152 (1989) ("Thus our past decisions have made clear that state regulation of intellectual property must yield to the extent that it clashes with the balance struck by Congress in our patent laws."); *Belknap, Inc.* v. *Hale*, 463 U.S. 491, 512 (1983) ("We see no basis for holding that permitting the contract cause of action . . . would frustrate any policy of the federal labor laws."); *Hines* v. *Davidowitz*, 312 U.S. 52, 67 (1941) ("Our primary function is to determine whether . . . [the state] law stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress."). The law governing certification

marks is neither exempt from this, nor subject to a different, preemption test.

This Court confirmed in *Aronson* that general preemption doctrine governs claims of abrogation of enforceable contract rights by federal intellectual property laws. The question presented in *Aronson* was "whether federal patent law pre-empts state contract law so as to preclude enforcement of a contract to pay royalties to a patent applicant, on sales of articles embodying the putative invention, for so long as the contracting party sells them, if a patent is not granted." 440 U.S. at 258-59. This Court held:

> Commercial agreements traditionally are the domain of state law. State law is not displaced merely because the contract relates to intellectual property which may or may not be patentable; the states are free to regulate the use of such intellectual property in any manner not inconsistent with federal law. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 479 (1974); see *Goldstein v. California*, 412 U.S. 546 (1973). In this as in other fields, the question of whether federal law pre-empts state law "involves a consideration of whether that law 'stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.' *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941)." *Kewanee Oil Co.*, *supra*, at 479. If it does not, state law governs.

Id. at 262. *Aronson* considered and distinguished *Lear*'s preemption holding in conducting its analysis. The Court held that the contractual rights in *Lear* were preempted because they contravened "the strong federal policy that only inventions which meet the rigorous requirements of patentability shall be withdrawn from the public domain," and that "neither the holding nor the rationale of *Lear* controls when no patent has issued, and no ideas have been withdrawn from public use." *Id.* at 264.

2. The Second Circuit failed to understand *Lear* and *Aronson*. In place of the longstanding and demanding conflict preemption standard applied by this Court in those cases, the Second Circuit purported to derive from *Lear* a special *ad hoc* judicial "balancing test" in which a court would determine the question of preemption based on whether the private interests in contract enforcement "outweigh the public interest" that the court identifies. App. 9a-11a.

The Second Circuit's error is significant because, under the traditional test, implied preemption of state law is never lightly found, for preemption derogates from the sovereign interests of States. *Exxon Corp.* v. *Governor of Md*, 437 U.S. 117, 130 (1978) ("the teaching of this Court[] . . . enjoin[s] seeking out conflicts between state and federal regulation where none clearly exists") (internal quotation marks omitted) (second alteration in original). Indeed, there is a presumption (rooted in federalism) that Congress does not preempt state law in areas traditionally occupied by the States. *Egelhoff* v. *Egelhoff ex rel. Breiner*, 532 U.S. 141, 151 (2001); *California* v. *ARC Am. Corp.*, 490 U.S. 93, 101 (1989). As this Court has recognized, "[c]ommercial agreements traditionally are the domain of state law," *Aronson*, 440 U.S. at 262, and therefore there is a strong presumption that federal law does not preempt state law governing the enforcement of contracts.

Given this presumption, the Second Circuit was not entitled to abrogate state contract law simply because on balance it found some public injury that it viewed as greater "than the general interest in enforcing written contracts." App. 17a. "[S]tates are free to regulate the use of such intellectual property in any manner *not inconsistent with federal law*," *Aronson*, 440 U.S. at 262.

Proponents of preemption "bear the considerable burden of overcoming 'the starting presumption that Congress does not intend to supplant state law,'" *De Buono* v. *NYSA-ILA Medical & Clinical Services Fund*, 520 U.S. 806, 814 (1997),

which is why a court must find "significant frustration" of statutory policy.

The Second Circuit's adoption of an *ad hoc* balancing test creates a conflict with other circuits that have correctly applied this Court's preemption test outlined in *Lear* and *Aronson* in evaluating the relationship between state contract law and federal law protecting intellectual property rights. For example, in *Studiengesellschaft Kohle, M.B.H.* v. *Shell Oil Co.*, 112 F.3d 1561 (Fed. Cir. 1997), the Federal Circuit considered the effect of a patent invalidity finding on whether a licensor of a patent could recover damages for breach of a licensing agreement when the validity of the underlying patent had not been challenged until after the breach occurred. In determining whether state contract law was preempted by federal patent law, the Federal Circuit adopted the appropriate *Lear* standard, and considered "'whether overriding federal policies would be significantly frustrated' by enforcing the license." *Id.* at 1567. The Federal Circuit found that the licensing agreement could be enforced because "this court detects no significant frustration of federal patent policy." In so holding, the court referred to the "significant frustration" standard at least four times. *Id.* at 1567-68. See also *Foster* v. *Hallco Mfg. Co.* 947 F.2d 469, 477 (Fed. Cir. 1991) (describing *Lear* as a case implicating "questions of the primacy of federal over state law"); *Universal Gym Equip., Inc.* v. *ERWA Exercise Equip. Ltd.*, 827 F.2d 1542, 1550 (Fed. Cir. 1987) (stating that a private contract is nullified "only if enforcement of the contract would conflict with the patent law").

The Third, Sixth and Ninth Circuits similarly have identified the "significantly frustrated" standard as setting forth the appropriate standard for determining preemption of state contract law in light of federal patent law. *American Sterilizer Co.* v. *Sybron Corp.*, 526 F.2d 542, 547 (3d Cir. 1975); *Atlas Chem. Indus., Inc.* v. *Moraine Prods.*, 509 F.2d 1, 5 (6th Cir. 1974); *Massillon-Cleveland-Akron Sign Co.* v.

Golden State Advert. Co., 444 F.2d 425, 427 (9th Cir. 1971). Likewise, the Seventh and Tenth Circuit have applied general conflict preemption principles to find that state contract law is not preempted under federal intellectual property laws. *Naimie* v. *Cytozyme Labs., Inc.*, 50 U.S.P.Q.2d 1348, 1351 (10th Cir. 1999) (enforcement of licensing agreement under state contract law "does not impermissibly interfere with the federal patent scheme"); *Walthal* v. *Rusk*, 172 F.3d 481 (7th Cir. 1999) (state contract law permitting termination at will provision not preempted by federal copyright law).[3]

Judicial balancing of the interests served by state and federal law has no place in preemption analysis. If state law does not significantly frustrate federal law, then it makes no difference how a court would weigh the relative interests served by state and federal law. The Second Circuit's adoption of a balancing test is a radical departure from this Court's preemption precedent and unsupported by *Lear*. This Court should resolve the conflict created by the Second Circuit's decision.

II. THE DECISION BELOW IS INCONSISTENT WITH PRECEDENTS OF OTHER COURTS REFUSING TO EXTEND *LEAR* PREEMPTION TO LANHAM ACT MARKS.

In addition to applying the wrong standard, the Second Circuit's decision upsets the federal-state balance carefully crafted by Congress in the Lanham Act, and contravenes the decisions of every circuit court that has addressed the applicability of *Lear* preemption outside the patent context. Indeed, the Second Circuit's reasoning is founded on stark misconceptions of federal policy that are contrary to the text,

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[3] The Second Circuit purported to find support for its balancing test in decisions of other circuits. App. 9a-11a. However, none of those cases actually found preemption of state law governing contract enforcement, and thus the issue of what standard had to be met in order to find state law preempted was not directly joined.

structure, and purposes of the Lanham Act. This Court should grant certiorari to review the Second Circuit's dramatic extension of *Lear*.

A. Other Courts Confine *Lear* To Its Narrow Facts.

As an initial matter, this Court has emphasized the narrow compass of the *Lear* preemption holding. In *Aronson*, as noted above, this Court described the *Lear* preemption holding as necessary "to further the strong federal policy that only inventions which meet the rigorous requirements of patentability shall be withdrawn from the public domain," but cautioned that "neither the holding nor the rationale of *Lear* controls when no patent has issued, and no ideas have been withdrawn from public use." 440 U.S. at 263. *Lear* was decided to prevent an inventor with an invalid patent from claiming as private property an invention that belonged to the public. *Id.*

Picking up on the narrowness of the *Lear* holding, the Federal Circuit has consistently refused to extend *Lear* to other types of contractual arrangements that prohibit challenges to patent validity. For example, the Federal Circuit has found that the policies of federal patent law discussed in *Lear* do not affect the equitable doctrine of assignor estoppel, which prevents one who has assigned patent rights to another from later challenging the validity of the patent. *Diamond Scientific Co.* v. *Ambico, Inc.*, 848 F.2d 1220 (Fed. Cir. 1988). The Federal Circuit also has found that the reasoning in *Lear* does not affect the ability to enforce consent judgments, *Foster*, 947 F.2d at 477, or judicial settlements, *Flex-Foot, Inc.* v. *CRP, Inc.*, 238 F.3d 1362, 1368 (Fed. Cir. 2001); *Hemstreet* v. *Spiegel, Inc.*, 851 F.2d 348, 350-51 (Fed. Cir. 1988), that disallow challenges based on claims of patent invalidity.

In a similar vein, the Seventh Circuit, in an opinion by Judge Posner, emphasized the limited scope of *Lear* in refusing to find a no-challenge clause in a copyright licensing

agreement to be preempted. *Saturday Evening Post Co.* v. *Rumbleseat Press, Inc.*, 816 F.2d 1191, 1200 (7th Cir. 1987). First, the Seventh Circuit pointed out that "[o]ur case involves a negotiated clause rather than a doctrine that in effect reads a no-contest clause into every licensing agreement." *Id.* Because a default doctrine of estoppel "is apt to have a broader effect" than negotiated contracts, the Seventh Circuit found less encroachment on federal statutory policy. *Id.* Second, the Seventh Circuit emphasized that the *Lear* "opinion is narrowly written." *Id. Lear* was concerned with the dangers that attend a patent's grant of power to "its owner to prevent anyone else from making or using his invention." *Id.* The court refused to extend the *Lear* analysis to copyright, where "[t]he economic power conferred is much smaller," and where the contestability of the copyright did not implicate "the competitive policies that underlie *Lear*." *Id.*

These concerns apply *a fortiori* to questions of Lanham Act preemption. Before the Second Circuit's decision in this case, no other court of appeals had extended *Lear* preemption to contractual clauses disallowing challenges to Lanham Act marks. See *MWS Wire Indus., Inc.* v. *California Fine Wire Co., Inc.*, 797 F.2d 799, 803 (9th Cir. 1986); *Visa Int'l Serv. Ass'n* v. *Bankcard Holders of Am.*, 784 F.2d 1472, 1473-74 (9th Cir. 1986); *T&T Mfg. Co.* v. *A.T. Cross Co.*, 587 F.2d 533, 538 (1st Cir. 1978); *Danskin, Inc.* v. *Dan River, Inc.*, 498 F.2d 1386, 1388 (C.C.P.A. 1974); *Beer Nuts, Inc.* v. *King Nut Co.*, 477 F.2d 326, 329 (6th Cir. 1973).

These courts universally recognize that no-challenge clauses in Lanham Act licenses do not implicate any federal policy comparable to the concerns that animated *Lear*: namely, "the strong federal policy favoring the full and free use of ideas in the public domain" that is embodied in the patent laws. *Lear*, 395 U.S. at 674.

B. The Second Circuit Misconceived The Policies Of The Lanham Act.

The Lanham Act, unlike the patent laws, does not convey a durable monopoly over ideas, but simply protects the use of certain symbols in commerce to convey information about goods and services to the public. The relevant policies of the Lanham Act are those stated therein, which are to prevent confusion of the public in the use of the mark:

> The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations.

15 U.S.C. § 1127. The 1946 Senate Report recommending passage of the Lanham Act explained the Act's purposes:

> One is to protect the public so that it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get. Second, where the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats.

S. Rep. No. 79-1333 (1946), *reprinted in* 1946 U.S.C.C.S. 1274, 1274.

Not a single court of appeals, prior to the decision below, had ever found that enforcement of a contractual no-challenge clause ran afoul of the Lanham Act, because those clauses do not jeopardize the federal policy of preventing public confusion. The declared statutory policy of the Lanham Act of section 1127 by its terms applies to all covered marks, and draws no distinctions between certification and other marks. As with other marks, the registration and protection of certification marks is meant to enhance customer information and prevent confusion; the certification mark provides information to consumers that the goods or services of a person possess certain characteristics, or meet certain qualifications or standards established by another person. See generally 15 U.S.C. § 1127 (definition of "certification marks"); *id.* § 1114(1) (granting certification mark holders the right to bring civil actions in order to prevent unauthorized persons from using the marks in a manner that misleads consumers); U.S. Patent & Trademark Office, *Manual of Examining Procedure* § 1306.01(b) (3d. ed. rev. 2 May 2003) ("USPTO Trademark Examining Manual"), *ECOS Elecs. Corp.* v. *Underwriters Labs.*, 743 F.2d 498, 503 (7th Cir. 1984) (stating that the purposes of Underwriters Laboratories' certification marks is "to affect competition by providing consumers with information concerning the safety of various products [and] [e]liminating market imperfection"); *Jos. S. Cohen & Sons Co.* v. *Hearst Magazines, Inc.*, 220 F.2d 763, 765 (C.C.P.A. 1955) (enforcing certification mark to prevent "likelihood of confusion" and vindicate "the predominant rights of the purchasing public"). Because a no-challenge clause in a certification mark license does not thwart the federal policy of preventing public confusion, there is no colorable basis for finding such state law rights preempted under the Lanham Act.

The Second Circuit has now broken from the long line of decisions finding no preemption under the Lanham Act of state contract rights to enforce no-challenge clauses. It did

not do so based on any finding that those clauses frustrate any of the stated policies and purposes of the statute. Instead, the Second Circuit purported to draw distinctions between trademarks and certification marks, and to recognize a special, unarticulated public policy regarding certification marks that in its view justified preemption of contractual no-challenge clauses for those marks but not for others. The Second Circuit characterized that unspoken federal policy to promote the "public interest in free and open competition among producers and distributors of the certified product," and the statutory "aim[] to ensure the broadest competition, and therefore the best price and quality, within the market for certified goods." App. 15a. The Second Circuit adjudged this policy to be "akin to the public interest in the 'full and free use of ideas in the public domain' embodied in the patent laws." *Id.* (quoting *Lear*, 395 U.S. at 674).

The Second Circuit's analysis is contrary to the text, history, and structure of the Act. Although by definition there are functional differences between certification marks and other Lanham Act marks, 15 U.S.C. § 1127, there are no differences in the protections extended to, or public policies served by, certification marks. *Id.* § 1054 (registered "certification marks . . . shall be entitled to the protection provided in this chapter in the case of trademarks"); *American Bd. of Psychiatry & Neurology, Inc.* v. *Johnson-Powell*, 129 F.3d 1, 3 (1st Cir. 1997) ("A registered certification mark receives the same protection as a trademark"). Indeed, the Congress that passed the Lanham Act, the courts, and scholars all have recognized that "certification marks" are practically indiscernible from the most comparable category of trade and service marks, namely, "collective marks." See *Trade-marks: Hearings on H.R. 102, H.R. 5461, and S. 895 Before the Subcomm. on Trade-marks of the House Comm. on Patents*, 77th Cong. 93-103 (1941); *Opticians Ass'n of Am.* v. *Independent Opticians of Am.*, 920 F.2d 187, 193 n.8 (3d Cir. 1990) ("[I]t is entirely possible for a collective trademark to

legitimately function as a certification mark, or vice versa."); 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 19:99 (4th ed. 2000) (noting that "collective trademarks and service marks . . . are almost indistinguishable from certification marks," and "[*t*]*he only possible distinction is one of form*," depending on whether all the sellers are members of a single organization) (emphasis added).

The Second Circuit nonetheless purported to find a unique undeclared public policy in the Lanham Act's authorization of additional grounds for canceling certification marks, and in particular, the provision authorizing cancellation if the mark owner "discriminately refuses to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies." 15 U.S.C. § 1064(5)(D). According to the Second Circuit, whereas trademark owners "can choose to license the marks to others *on whatever conditions they deem appropriate*, so long as confusion does not result[,] *[t]he same is not true of certification marks*." App. 14a (emphasis added).

This is a clear misreading of the statute. The only difference between the licensing of certification marks and other marks under the Lanham Act is that the former must be done on a nondiscriminatory basis to all willing to meet the product or service standards certified. But, nothing in the statute purports to regulate the *content* of licensing terms that the certification mark owner can insist upon on a nondiscriminatory basis, or to differentiate the permissible content of certification mark licenses from licenses of other marks. There is not the faintest support for the Second Circuit's claim that the policy of the Lanham Act is "to ensure the broadest competition, and therefore the best price and quantity, within the market for certified products" by restricting the content of certification mark licenses. App. 15a. The sole federal imperative is nondiscrimination, and certification mark owners may offer any licensing conditions they wish if they do so on a nondiscriminatory basis. The

Lanham Act instead promotes competition in goods and services by improving consumer information. It does so by granting property rights in marks (whether trademarks, service marks, collective marks, or certification marks) in the expectation that the mark owner will maximize consumer recognition and trust in the mark. A consumer that relies on a Lanham Act mark has better information about product quality, and thus can decide whether the seller's price reflects the value the consumer places on the good; the better information the consumer has about the quality of goods, the more competitive and efficient the market for those goods will be.

The Second Circuit's error did not stop there. The court went on to assert that the policies of the Lanham Act forbid certification mark owners to impose "a non-quality-control related restriction on sellers of the certified product and other licensees that benefits the mark owner." App. 15a. The court also imposed its own slanted economic view that "a free market for the certified product" is necessarily "unaffected by the possible competing economic interests of the certification mark owner." *Id.* at 16a. These claims are equally unsound and untethered to the statute. Property rights, and discretion in licensing that property, promote competition by maximizing consumer information and choice about products. The Lanham Act creates federally protected and regulated intellectual property in the mark that the owner is free to use for its commercial benefit, or for the benefit of its constituents (here, Idaho potato growers and Idaho citizens generally), so long as the mark owner does not discriminate among qualifying licensees or create consumer confusion about the product. Contrary to the Second Circuit's contentions, the policy of the Lanham Act is that consumers will benefit from the certification mark owner's enlightened economic interest in promoting consumer trust in the mark through effective and nondiscriminatory licensing and control of the mark.

Likewise, the Second Circuit's bald assertion that only a licensee would have "enough economic incentive to challenge" an invalid certification mark, App. 16a, does not amount to a federal policy sufficient to preempt the state law rights at issue here. As an initial matter, this claim is unsupported by any record evidence. Suppliers of competitive products, wholesale purchasers of the certified goods, or persons denied a license would have substantial economic interests in ensuring that certified products are not sold under an invalid mark. See, *e.g.*, *In re Circuit Breaker Litig.*, No. CV 88-3012 CBM (C.D. Cal. Aug. 7, 1997) (order granting motion for partial summary judgment). In any event, that is not a point of distinction from trademarks.

Moreover, the Second Circuit's concern ignores the fact that Congress has granted the Federal Trade Commission the ability to apply to cancel certification marks on the grounds specified in paragraphs (3) and (5) of 15 U.S.C. § 1064. Cf. *EEOC* v. *Waffle House, Inc.* 534 U.S. 279, 285-98 (2002) (finding that a federal agency's enforcement power was not affected by an employer-employee arbitration agreement). This provision demonstrates that Congress envisioned, and specifically provided, a mechanism for challenging the validity of certification marks when others do not, or cannot, initiate such a challenge. There is not even a remote possibility that no-challenge clauses, which are in fact vital to efficient licensing of certification marks, see *infra* Section III, will significantly frustrate the federal policies of the Lanham Act, and thus no inference may be drawn that Congress intended to preempt state law remedies to enforce those contractual clauses. At a minimum, the court's preemption ruling warrants review by the court.

III. THE SECOND CIRCUIT'S DECISION HARMS CERTIFICATION MARK HOLDERS AND CONSUMERS.

Certification marks provide valuable information to consumers related to a broad range of goods and services in

this country, and thereby reduce market imperfections. Because of the importance to mark holders of enforceable no-challenge clauses, the Second Circuit's decision may force many holders of valid certification marks to abandon those marks, or limit their enforcement, and reduce the incentives for establishment and registration of new marks. The importance of rational and uniform treatment of certification marks under the Lanham Act heightens the need for this Court's review.

A search of the USPTO's database reveals that there are over 2,500 registered certification marks and active applications in the United States, covering a wide range of goods and services.[4] Certification marks generally fall within one of three broad categories. See generally 3 McCarthy, *supra* § 19:91; USPTO Trademark Examining Manual § 1306.01, at 1300-33. First, certain marks, such as those owned by the Idaho Potato Commission, certify that goods or services originate in a specific geographic area (including areas outside of the United States). Examples of such marks include "100% Pure Florida," owned by the State of Florida to certify the origin of citrus fruits,[5] and "Cheese from Denmark,"[6] owned by the Danish Dairy Board, to certify goods from Denmark.

Second, certification marks also serve to certify goods or services that meet certain standards, set by the certification mark owner, in relation to quality, materials or mode of manufacture. For example, Underwriters Laboratories Inc. certifies, among other things, that electrical equipment meets certain safety standards. See, *e.g.*, *Midwest Plastic*

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[4] Pursuant to a search of the "Trademark Electronic Search System" with the following terms: ("certification mark" and "live"), *at* U.S. Patent & Trademark Office, Trademark Web Page, *at* http://www.uspto.gov/main/trademarks.htm (search performed Nov. 12, 2003).

[5] Registration No. 2,263,176 (July 20, 1999).

[6] Registration No. 2,758,125 (Sept. 2, 2003).

Fabricators Inc. v. *Underwriters Labs. Inc.*, 906 F.2d 1568, 1569-70 (Fed. Cir. 1990); *ECOS Elecs. Corp.*, 743 F.2d at 503. The AAA Four Diamond Award, owned by the American Automobile Association, certifies that services "meet standards of cleanliness, staff professionalism, promptness, courtesy, food quality, and reservation capabilities."[7] The federal government also makes use of certification marks, including a registered mark of the U.S. Department of Commerce to certify that fish products are "U.S. Grade A Packed under Federal Inspection."[8]

Third, certification marks may certify that labor was performed by a specific group or individual, such as a member of a union or other organization. For example, the "Certified Surgical Technologist" mark certifies that an individual has passed the National Certifying Examination for Surgical Technologists.[9]

No-challenge clauses are common in certification mark licenses not because there is widespread invalidity that mark owners fear will be discovered, but because of the economics of certification mark control and licensing. As the statute itself recognizes, certification mark owners are often "persons, and nations, States, municipalities, and the like, exercising legitimate control over the use of the marks sought to be registered, even though not possessing an industrial or commercial establishment," 15 U.S.C. § 1054. Many certification mark owners are governmental entities with limited budgets (like the Commission) or non-profit organizations. Substantial resources must be devoted to policing a certification mark, not only because that is necessary to maintain the market strength and public acceptance of the mark, but because lack of control of the

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[7] Registration No. 2,563,673 (Apr. 23, 2002).

[8] Registration No. 2,370,390 (July 25, 2000).

[9] Registration No. 2,293,913 (Nov. 23, 1999).

mark (and the consequent public confusion) is itself a ground for its cancellation. *Id.* § 1064(5).

Unfortunately, licensee cheating and misuse of the mark present substantial threats to mark holders. The Lanham Act limits the discretion of certification mark owners to deny certification to licensees, and some licensees unjustly enrich themselves by charging the premium prices a certified good will command while substituting lower cost, substandard products (and thereby weakening the mark in the public eye). Certification marks thus demand vigilant and expensive, often adversarial, enforcement of licensing terms. Commonly, claims of mark invalidity are raised in the circumstance where the licensee (or former licensee) is caught infringing the mark or violating its license. The licensee in that circumstance knows that the certification mark owner is unwilling to bear even a small litigation risk of cancellation because of the draconian consequences. Moreover, litigation of challenges to mark invalidity is quite expensive; for example, a licensee may insist on extensive discovery of all licensing relationships to support a claim that the mark owner has discriminated in its certification decisions in violation of section 1064(5)(D) of the Act.

The high cost and unacceptable risks of litigation over mark validity thus give the offending licensee enormous leverage to force acquiescence by the mark owner in the violation of its rights or in a favorable settlement. To avoid this trap and the waste of scarce resources, certification mark owners insist (on a nondiscriminatory basis) that parties to a licensing contract agree not to challenge the validity of, or title to, the mark. *Ex ante*, licensees intending to operate under the mark in good faith are willing to agree to this condition because they know that mark owners have tremendous incentive to maintain the validity of the mark; that other entities (including the FTC, customers, and competitors) have substantial incentive and power to ensure the validity of marks; that eliminating this deterrent to effective control and enforcement of the mark

will maintain market acceptance of the mark, which is beneficial to them; and that reduction of unnecessary litigation expenses will enable the mark owner to invest more scarce resources into promotion and strengthening of the mark. This economic interdependence between licensees and mark holders, reflected in the contract, directly inures to the benefit of the consumer. Consumers who can rely on strong and widely known marks can make informed market choices. It is precisely this kind of rational private ordering in the shadow of the statute that underscores why courts should not lightly find that state contract law is preempted by federal intellectual property statutes.

The Second Circuit's aberrant preemption analysis has now negated this standard commercial practice and distorted the system by which the public receives valuable consumer information. By restricting the content of certification mark licenses, the decision below drives up the cost of policing those marks, which in turn will reduce the efficacy of those marks and the incentive to register and maintain them as a means to communicate valuable product information to consumers. Moreover, the unfounded substantive distinctions the Second Circuit has drawn between certification marks and other Lanham Act marks will create mischief. Petitioner can no longer include economically beneficial no-challenge clauses in its licenses, while its competitor licensing the Colorado Potatoes Mark (which is a collective mark) can.[10] These distinctions only undermine the policy of the Lanham Act by making certification marks less advantageous marks. The unique benefit of certification marks, and the reason that Congress created this distinct category of mark, lies in the statutory principle of nondiscrimination, which the decision below places at risk even as it purports to save it. Under the Lanham Act, any producer is entitled to accept nondiscriminatory license terms and sell a qualifying product under a known and valued mark without having to make the

[10] Registration No. 1,851,635 (Aug. 30, 1994).

substantial investment necessary to create a trademark, or without having to submit to the burdens or restrictions of the membership arrangements characteristic of collective marks. The certification mark system thus allows a broader array of small suppliers to compete using a mark that creates widespread consumer trust in the quality of their products. This benefit will be less widely available under a Second Circuit decision that undermines the economics of certification mark licensing and diminishes the attractiveness of certification marks relative to other marks.

No-challenge clauses in certification mark licensing agreements thus perform a critical function in protecting the vitality of the certification marks. The uncertainty and distortions in this system that will flow from the decision below are unwarranted and should not be tolerated. It is the Second Circuit's decision, rather than the no-challenge clauses themselves, that significantly frustrates the purpose of Congress in establishing a system of protection for certification marks. This Court's review is therefore vital to the proper administration of the Lanham Act and to restore the proper federal-state balance that Congress intended.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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January 15, 2004

APPENDICES

APPENDIX A

UNITED STATES COURT OF APPEALS
SECOND CIRCUIT

Docket No. 02-7792(L), 02-7818(XAP).

IDAHO POTATO COMMISSION,
Plaintiff-Appellant-
Cross-Appellee,

v.

M & M PRODUCE FARM & SALES, doing business as
M & M PRODUCE, M & M PACKAGING, INC.,
MATTHEW ROGOWSKI and MARK ROGOWSKI,
Defendants-Counter-Claimants-
Appellees-Cross-Appellants.

Argued: March 18, 2003.
Decided: July 11, 2003.

Before: FEINBERG, F.I. PARKER and SOTOMAYOR, Circuit Judges.

FEINBERG, Circuit Judge.

Plaintiff Idaho Potato Commission ("IPC") appeals from a May 2002 Memorandum and Order ("May 2002 Order") of the United States District Court for the Southern District of New York (Brieant, J.), vacating a $41,962 jury award for the IPC in its certification mark[1] infringement suit under the

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[1] "A certification mark is a special creature created for a purpose uniquely different from that of an ordinary trademark or service mark. It is a mark owned by one person and used by others in connection with their goods or services to certify quality, regional or other origin." 3 McCarthy on Trademarks and Unfair Competition § 19.91.

Lanham Act, 15 U.S.C. § 1051 et seq., against M & M Produce Farm and Sales, M & M Packaging, Inc., and Matthew and Mark Rogowski individually (collectively "M & M"). The district court held that under the circumstances of this case there was no basis for monetary damages absent a showing of counterfeiting. On appeal, the IPC argues that the Lanham Act does not require the owner of a certification mark to prove counterfeiting in order to recover monetary damages from an infringer.

Defendant M & M cross-appeals from the court's August 1998 Memorandum and Order ("August 1998 Order") denying M & M summary judgment on its counterclaims and holding that M & M was barred from seeking cancellation of the IPC marks by a no-challenge provision in its licensing agreement with the IPC.[2] M & M argues on appeal that the no-challenge provision should not be enforced because it violates the public policy embodied in the Lanham Act. M & M also argues that it was entitled to summary judgment on its counterclaims and attorneys' fees. For reasons stated below, we vacate the district court's August 1998 Order and remand for consideration of M & M's counterclaims on the merits. We also remand for clarification of the court's May 2002 Order on damages should M & M's counterclaims fail on the merits.

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[2] There appears to have been some confusion between the parties and the district court even after the court's August 1998 Order as to whether M & M would be able to pursue at trial its counterclaims challenging the IPC marks. In January 1999, the court reaffirmed its holding that M & M was estopped by its licensing agreement. Finally, in an October 2001 ruling on M & M's motion for clarification or reconsideration, the court made clear that "[d]efendants may not challenge the validity of the certification marks at trial." For our purposes, we refer to the court's August 1998 Order as the definitive discussion and decision on this issue.

I. Background

A. Parties on Appeal

The IPC is an agency created by Idaho statute to promote the sale of Idaho russet potatoes and to prevent the substitution of potatoes grown in other regions as Idaho potatoes. To further these goals, the IPC has registered a number of certification marks with the United States Patent and Trademark Office, two of which are relevant to this appeal: (1) the word "IDAHO" in a distinctive font; and (2) the phrase "GROWN IN IDAHO" written inside an outline of the boundaries of the state of Idaho (collectively "the IPC marks"). Each mark certifies that "goods so marked are grown in the State of Idaho."

The IPC controls its marks through an elaborate licensing system that seeks to ensure the quality and geographic authenticity of potatoes packed in containers bearing the IPC marks. This system requires everyone in the chain of distribution, from in-state growers to out-of-state repackers and resellers, to be licensed in order to use the IPC certification marks on their packaging.[3] Licensed vendors are also prevented from selling Idaho potatoes to non-licensed customers for repacking or reselling.

The standard licensing agreements provide licensees with the right to use the IPC marks, an important benefit because certified Idaho potatoes sell for more than non-Idaho potatoes. In return, licensees agree, among other things, to use the IPC marks only on potatoes that are certified as grown in Idaho and that meet the IPC's other quality standards. Licensees also agree to maintain purchase and sale records so that the IPC can check periodically for compliance and prevent "counterfeiting" (putting non-Idaho potatoes in bags bearing the IPC marks.)

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[3] Purchasers of small five- and ten-pound consumer bags of potatoes are exempt from the licensing requirement.

M & M is a small business in New York owned and operated by two brothers, Matthew and Mark Rogowski. M & M's main business is growing onions on a small farm, but because onions are a seasonal crop, the brothers also repack potatoes to stay in business throughout the year. In 1990, M & M entered into a licensing agreement with the IPC and was given the right to use the IPC's certification marks, subject to the terms in the agreement. While M & M was a licensee, it would purchase potatoes in bulk from licensed Idaho potato vendors and would repackage those potatoes into small five-pound bags bearing the certification marks.

In 1994, M & M received a notice of audit from the IPC requesting M & M's records with regard to all Idaho potatoes bought and sold. Because M & M did not produce sufficient records,[4] the IPC considered M & M in breach of the licensing agreement and requested that M & M return its license. In February 1995, M & M voluntarily gave up the license and consequently no longer had the right to use the IPC marks.

After returning the license, however, M & M continued repacking Idaho potatoes in bags with the IPC marks. M & M's major source of potatoes after February 1995 was G & T Terminal Packing, Inc. ("G & T"), a licensed reseller of Idaho potatoes. G & T is a large reseller of produce serving such supermarket chains as Pathmark, Twin County, Key Food, Grand Union and Wakefern.

The business relationship between M & M and G & T after M & M lost its license was complex. G & T would purchase potatoes in bulk directly from Idaho vendors. When G & T would receive an order for potatoes from one of its supermarket customers, it would call that order in to M & M. G & T would then "sell" potatoes to M & M, which would in

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[4] M & M explained that the records had been destroyed in a 1993 fire in Matthew Rogowski's office.

turn repack the potatoes into smaller bags printed with G & T's name and the IPC marks and then deliver the repacked potatoes to G & T's customer. After delivering the potatoes, M & M would "sell" the potatoes back to G & T for a small profit and return the delivery ticket to G & T. The district court explained the business relationship between these two vendors, in which G & T was essentially selling and buying back the same potatoes, as follows:

> In economic reality, G & T, a licensee of the IPC, was merely using M & M as an agent or independent contractor to repack G & T's potatoes in five pound bags with G & T's name on them as seller, and then deliver the potatoes to various customers of G & T in accordance with the directions of G & T, returning the delivery tickets to G & T. The supermarkets in most cases did not deal with M & M.

B. Procedural History

During an October 1997 compliance audit of G & T, the IPC learned of the continuing business relationship between G & T and M & M. In November 1997, the IPC filed the current lawsuit against M & M alleging: (1) trademark infringement in violation of 15 U.S.C. § 1114, (2) false designation of origin and dilution in violation of 15 U.S.C. § 1125, and (3) unlawful and unfair competition in violation of various New York and Idaho statutes and common law.

In response, M & M filed counterclaims for, among other things, cancellation of the IPC marks under federal and state law. M & M argued that the IPC marks should be cancelled for numerous reasons, including that the IPC abused its marks by: discriminatorily refusing to certify potatoes that were grown in Idaho, imposing standards for certification beyond the geographic origin the marks are registered to certify, and using its certification marks for purposes other than to certify,

all in violation of the Lanham Act. M & M also alleged that the IPC lacks the independence necessary for certification mark owners under the Lanham Act.

The pre-trial procedural history of this case is long and complicated. We give only a brief description of those proceedings relevant to the current appeal. In April 1998, this case was consolidated for pre-trial purposes with two other cases involving a challenge to the IPC marks—one a counterclaim brought by Majestic Produce Corp., the other a direct claim brought by Hapco Farms, Inc. In its August 1998 Order, the district court denied a joint motion for summary judgment filed by Hapco, Majestic and M & M. With regard to M & M, the court held that M & M was estopped from challenging the IPC marks by a provision in its licensing agreement in which M & M (1) acknowledged that the marks "are valid, registered marks;" and (2) agreed that it would "not during the term of the agreement, or at any time thereafter, attack the title or any rights" of the IPC in the relevant marks. Citing a number of trademark cases, the district court held that "courts have consistently enforced estoppel in circumstances directly analogous to this case." It further rejected any arguable distinction between trademarks and certification marks in this context explaining that "the owners of certification marks can license their marks, just as trademark holders can, and are therefore clearly entitled to licensee estoppel where the licensing agreement specifically provides for it."[5]

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[5] The district court's holding on estoppel also applied to Hapco. However, because Majestic had not entered into a licensing agreement with the IPC, the court considered the merits of the joint motion for summary judgment on the challenges to the IPC marks. In doing so, the court denied summary judgment on the merits, but held that Majestic could proceed to trial on those claims with certain limitations. As will be seen below in Part II.A.2., the court's holding with regard to the merits was only applicable to Majestic.

The IPC's claims for infringement against M & M proceeded to trial, and in February 2002 the jury returned a verdict for the IPC. The jury found that M & M had earned $41,962 in profits from selling potatoes in bags with the IPC marks without the consent of the IPC. However, the jury also found that the IPC did not prove that M & M had engaged in counterfeiting.

After trial, M & M moved to vacate the jury's damage award as a matter of law. In its May 2002 Order, the district court granted the motion, holding that the evidence "does not sustain the right to recover monetary damages, and therefore that portion of the jury verdict should be vacated."

The IPC appeals from the May 2002 Order vacating its damages award against M & M. M & M cross-appeals from the August 1998 Order holding M & M estopped from attacking the validity of the IPC marks.

II. Discussion

Because the jury's verdict against M & M was predicated on the IPC's ownership of valid certification marks, we first discuss M & M's cross-appeal challenging the district court's August 1998 ruling that M & M was not entitled to summary judgment and was estopped by the licensing agreement from attacking those marks. We will then turn to the IPC's appeal from the district court's vacatur of its damages award.

A. M & M's Cross-appeal

1. Estoppel

The facts relevant to the issue are not in dispute. M & M signed a licensing agreement with the IPC in which M & M recognized the validity of the IPC marks and promised not to attack the rights of the IPC in those marks during the term of the agreement or at any time thereafter. The basic question on the facts before us, therefore, is whether such a provision in a certification mark licensing agreement is enforceable

against a licensee when the licensee no longer holds a license. This question has apparently not yet been squarely decided by any federal circuit court.

M & M contends that the no-challenge provision in its licensing agreement should not be enforced because it violates the public policy embodied in the Lanham Act. It argues that by requiring licensees to forever waive their statutory right to challenge the IPC's marks, the IPC effectively avoids enforcement of the Lanham Act. M & M relies principally on the *Supreme Court's opinion in Lear, Inc. v. Adkins*, 395 U.S. 653, 89 S.Ct. 1902, 23 L.Ed.2d 610 (1969), which held that the contract doctrine of licensee estoppel was trumped by the federal policy embodied in the patent laws. *Id.* at 670-71, 89 S.Ct. 1902. M & M argues that *Lear* should apply to certification mark licenses as it does to patent licenses because the public interest in both is similar. Thus, M & M asks us to adopt the rule stated by the United States Patent and Trademark Office, Trademark Trial and Appeal Board that "there can be no licensee estoppel involving a certification mark." *Midwest Plastic Fabricators, Inc. v. Underwriters Labs., Inc.*, 12 U.S.P.Q.2d 1267, 1270 n. 6 (T.T.A.B.1989) aff'd on other grounds, 906 F.2d 1568, 1573 (Fed.Cir.1990) (explicitly avoiding the licensee estoppel issue).

We begin our analysis with the Supreme Court's opinion in *Lear*. The general rule of licensee estoppel provides that when a licensee enters into an agreement to use the intellectual property of a licensor, the licensee effectively recognizes the validity of that property and is estopped from contesting its validity in future disputes. See, e.g., *Flex-Foot, Inc. v. CRP, Inc.*, 238 F.3d 1362, 1368 (Fed.Cir.2001) (explaining doctrine of licensee estoppel applied prior to *Lear*). As noted above, the Supreme Court in *Lear* held that the doctrine does not necessarily control in disputes over the validity of patents. The Court identified in the patent laws the

"strong federal policy favoring the full and free use of ideas in the public domain." 395 U.S. at 674, 89 S.Ct. 1902. It balanced that public interest against the "competing demands of the common law of contracts" as follows:

> Surely the equities of the licensor do not weigh very heavily when they are balanced against the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain. Licensees may often be the only individuals with enough economic incentive to challenge the patentability of an inventor's discovery. If they are muzzled, the public may continually be required to pay tribute to would-be monopolists without need or justification. We think it plain that the technical requirements of contract doctrine must give way before the demands of the public interest in the typical situation involving the negotiation of a license after a patent has issued.

Id. at 668, 670-71, 89 S.Ct. 1902.

Courts applying the principles articulated in *Lear* to patent disputes have enforced no-challenge contract provisions only when the interests in doing so outweigh the public interest in discovering invalid patents. Thus, in *Flex-Foot*, the United States Court of Appeals for the Federal Circuit recently enforced an estoppel provision in a settlement agreement only after determining that the public policy in favor of settlements outweighed the public interest in patents. The court stated that "the important policy of enforcing settlement agreements and res judicata must themselves be weighed against the federal patent laws' prescription of full and free competition in the use of ideas that are in reality a part of the public domain." 238 F.3d at 1368. The court concluded that when an accused patent infringer contractually agrees to voluntarily dismiss litigation challenging the rights of a patent holder after having "had an opportunity to conduct discovery on

validity issues," the accused infringer is contractually estopped from raising any challenge in a subsequent proceeding. Id. at 1370.

Other courts, including this one, have weighed these interests to reach differing results, but each has recognized the applicability of the balancing test first articulated in *Lear*. See, e.g., *Warner-Jenkinson Co. v. Allied Chem. Corp.*, 567 F.2d 184, 187-88 (2d Cir.1977) (licensee could litigate the validity of patent even though licensing agreement was entered into as part of a settlement of earlier litigation); *Schlegel Mfg. Co. v. U.S.M. Corp.*, 525 F.2d 775, 781 (6th Cir.1975) (enforcing consent decree, which recited that plaintiff's patent was valid); *Kraly v. Nat'l Distillers & Chem. Corp.*, 502 F.2d 1366, 1369 (7th Cir.1974) (concluding that a licensee was not estopped from challenging the validity of a patent even where a consent decree incorporated an understanding that the patent would not be challenged); *Massillon-Cleveland-Akron Sign Co. v. Golden State Adver. Co.*, 444 F.2d 425, 427 (9th Cir.1971) (holding that covenant in settlement agreement whereby defendants agreed not to contest validity of patent was unenforceable because in direct conflict with strong federal policy).

The *Lear* balancing test has also been frequently applied to trademark licensing contracts. As the district court here correctly noted, courts in this context have generally precluded licensees from challenging the validity of a mark they have obtained the right to use. However, courts have done so only after considering the public interest in trademarks. For example, in *Beer Nuts, Inc. v. King Nut Co.*, the Sixth Circuit explicitly used the *Lear* balancing test in upholding a written agreement not to challenge the validity of a trademark. 477 F.2d 326, 329 (1973). The court distinguished the public policy of trademarks—guarding the public from being deceived into purchasing an unwanted product—from that of patents and held, "When the balancing test is employed in the

instant situation, we conclude that the public interest in [trademarks] ... is not so great that it should take precedence over the rule of the law of contracts that a person should be held to his undertakings." *Id.*; see also *MWS Wire Indus., Inc. v. California Fine Wire Co.*, 797 F.2d 799, 803 (9th Cir.1986) (relying on *Beer Nuts* and holding that "[t]o permit [defendant] to reopen the question of the validity of the trademark at this juncture would severely undercut the policy favoring the amicable resolution of trademark disputes without resort to the courts").

Even when courts have not expressly applied the *Lear* test, they have recognized that agreements related to intellectual property necessarily involve the public interest and have enforced such agreements only to the extent that enforcement does not result in a public injury. Thus, the First Circuit in *T & T Manufacturing Co. v. A.T. Cross Co.* asked "whether there is any significant harm to the public" before holding that a settlement agreement related to trademarks was enforceable. 587 F.2d 533, 538 (1st Cir.1978). The court noted generally that: "It should never be overlooked that trade-mark ... cases are affected with a public interest. A dealer's good will is protected, not merely for his profit, but in order that the purchasing public may not be enticed into buying A's product when it wants B's product." *Id.* (quoting *Gen. Baking Co. v. Gorman*, 3 F.2d 891 (1st Cir.1925)). The Ninth Circuit has applied the same rule. See *VISA Int'l Serv. Assn. v. Bankcard Holders of America*, 784 F.2d 1472, 1473 (9th Cir.1986) ("In general, a party entering into a settlement agreement with respect to a trademark will be held to his contract unless enforcement of the contract would result in injury to the public through confusion.").[6]

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[6] A number of district court cases in this circuit have also applied this rule. See *Times Mirror Magazines, Inc. v. Field & Stream Licenses Co.*, 103 F.Supp.2d 711, 738 (S.D.N.Y.2000) ("In the absence of significant injury to the consuming public, a party entering into a settlement agree-

The IPC maintains that the *Lear* balancing test is inapplicable because unlike the contract in *Lear*, which was silent concerning the rights of the licensee to challenge the patent, the contract signed by M & M specifically precluded M & M from challenging the IPC's marks. However, this distinction does not negate the applicability of the *Lear* balancing test to the contract in this case. *Lear* itself recognized that federal policy embodied in the law of intellectual property can trump even explicit contractual provisions. The licensor in *Lear* argued that based on the licensee's explicit contractual agreement to pay royalties until invalidity of the patent had been determined by a court, the licensee was required to pay royalties for the duration of the litigation even if the patent in question was eventually declared invalid. 395 U.S. at 673, 89 S.Ct. 1902. The *Lear* Court disagreed and refused to enforce the contract on the same basis that it refused to apply licensee estoppel: "The parties' contract, however, is no more controlling on this issue than is the State's doctrine of estoppel, which is also rooted in contract principles." *Id. Lear* makes clear that courts should weigh the federal policy embodied in the law of intellectual property against even explicit contractual provisions and render unenforceable those provisions that would undermine the public interest. Also, as we discussed above, other courts have applied *Lear* to explicit contract provisions. See, e.g., *Massillon-Cleveland-Akron Sign Co.*,

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ment with respect to a trademark will be held to its contract."); *Marshak v. Green*, 505 F.Supp. 1054, 1060-61 (S.D.N.Y.1981) ("Courts adhere to traditional common-law contract principles even in trademark cases as long as holding a party to his obligations is not inconsistent with the public policy of preventing confusion and deception as to the origin of goods or services."); *Peyrat v. L.N. Renault & Sons, Inc.*, 247 F.Supp. 1009, 1014 (S.D.N.Y.1965) (holding that although "parties to a trademark controversy may contract between themselves for any legal purpose," those contracts are only enforceable "so long as no injury is caused to the public").

444 F.2d at 427. Thus, the explicit contractual provision in the licensing agreement between the IPC and M & M is no barrier to application of the *Lear* balancing test.[7]

We turn now to application of this balancing test to the current dispute. In doing so, we must identify the public interest in certification marks and the public injury that might result from enforcement of the estoppel provision in the contract between M & M and the IPC. The IPC argues, and the district court agreed, that the trademark cases enforcing

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[7] The IPC also briefly contends that a prior decision of this court is binding precedent on the estoppel issue. In *Hapco Farms, Inc. v. Idaho Potato Commission*, 238 F.3d 468 (2d Cir.2001) (per curiam), this court heard an appeal in one of the cases that had been consolidated with this one for pretrial purposes. Hapco's complaint against the IPC had been dismissed by the district court on the ground of sovereign immunity, *Idaho Potato Comm'n v. M & M Produce Farms & Sales*, 95 F.Supp.2d 150 (S.D.N.Y.2000), and this court affirmed. 238 F.3d at 468. The IPC now informs us that Hapco argued in that appeal that the district court erred in barring Hapco from challenging the IPC's marks on the basis of estoppel. In affirming the district court, this court did not specifically mention the estoppel issue, but did state that "[w]e have considered all of Hapco's contentions on this appeal and have found in them no basis for reversal." *Id.* The IPC argues that this was a decision on the merits of the estoppel issue and is applicable to M & M. We disagree. We are not at all sure that a prior decision of this court in another case can create binding precedent for us on this issue when that decision does not mention the issue or the underlying facts. Further, an independent review of the briefs to this court in that appeal reveals that although Hapco argued that certification marks should be treated differently from trademarks, it did not cite the leading case of *Lear*, which provides the framework for our analysis today. Most importantly, in bringing the *Hapco* case to our attention, the IPC fails to mention an important fact that it relied on in the prior appeal and that distinguishes Hapco's claims from those of M & M: The IPC and Hapco had settled an earlier dispute by entering into a consent order in which Hapco specifically acknowledged the validity of the IPC marks. As our discussion in this opinion makes clear, this is the very type of countervailing interest that could lead a court to enforce estoppel when applying the *Lear* balancing test. Thus, the *Hapco* case is clearly distinguishable and could not serve as binding precedent on us.

no-challenge provisions noted above are controlling with regard to certification marks because "certification marks are generally treated the same as trademarks." *Levy v. Kosher Overseers Ass'n of America, Inc.*, 104 F.3d 38, 39 (2d Cir. 1997); see also *American Bd. of Psychiatry and Neurology, Inc. v. Johnson-Powell*, 129 F.3d 1, 3 (1st Cir.1997) ("A registered certification mark receives the same protection as a trademark."). Although we recognize that trademarks and certification marks are "generally treated the same," we conclude that the difference between the public interests in certification marks and trademarks compels a different result in this context.

In the trademark context, as already noted, "[a] dealer's good will is protected ... in order that the purchasing public may not be enticed into buying A's product when it wants B's product." *T & T Mfg.*, 587 F.2d at 538. Thus, agreements that allow the continued use of confusingly similar trademarks injure the public, and the important issue in litigation over trademark contracts is the public confusion that might result from enforcing the contract. See 15 U.S.C. § 1052(d) (permitting refusal of registration if a mark "so resembles [another] mark ... as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive").

Significantly, trademark owners are granted a monopoly over their marks and can choose to license the marks to others on whatever conditions they deem appropriate, so long as confusion does not result. The same is not true of certification marks. Certification mark licensing programs are "a form of limited compulsory licensing," 3 McCarthy on Trademarks and Unfair Competition § 19.96, and the certifier has a "duty ... to certify the goods or services of any person who meets the standards and conditions which the mark certifies." *In re University of Mississippi*, 1 U.S.P.Q.2d 1909, 1911, 1987 WL 123808 (T.T.A.B.1987).

That the owner of a certification mark "cannot refuse to license the mark to anyone on any ground other than the standards it has set," 3 McCarthy at § 19.96, is an important distinction between the policies embodied in trademarks and certification marks. It is true that certification marks are designed to facilitate consumer expectations of a standardized product, much like trademarks are designed to ensure that a consumer is not confused by the marks on a product. See, e.g. *Institut Nat'l Des Appellations d'Origine v. Brown-Forman Corp.*, 47 U.S.P.Q.2d 1875, 1889-90 (T.T.A.B.1998) (holding that same likelihood of confusion test applied in the context of trademarks also applies to certification marks). But the certification mark regime protects a further public interest in free and open competition among producers and distributors of the certified product. It protects the market players from the influence of the certification mark owner, see 15 U.S.C. § 1064(5) (listing grounds for cancellation of a certification mark when the neutrality of the rights holder is compromised), and aims to ensure the broadest competition, and therefore the best price and quality, within the market for certified products. See 15 U.S.C. § 1064(5)(D) (permitting cancellation of any certification mark owned by a registrant who "discriminately refuses to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies"). From our review of the cases, it appears to us that this interest is akin to the public interest in the "full and free use of ideas in the public domain" embodied in the patent laws. *Lear*, 395 U.S. at 674, 89 S.Ct. 1902.

We believe that the estoppel provision in the contract between M & M and the IPC injures this public interest in a number of ways. First, the provision places a non-quality-control related restriction on the sellers of the certified product and other licensees that benefits the mark owner in contravention of the mark owner's obligation not to interfere with a free market for products meeting the certification

criteria. Second, as in *Lear*, parties that have entered into a licensee relationship with the IPC may often be the only individuals with enough economic incentive to challenge the IPC's licensing scheme, and thus the only individuals with enough incentive to force the IPC to conform to the law. See *id.* at 670, 89 S.Ct. 1902.

Finally, to decide the issue of public injury we must look to the public interest implicated by the merits of the licensee's challenges. See, e.g., *Beer Nuts*, 477 F.2d at 328 (looking to merits of licensee's case and finding that enforcement of no-challenge provision would "impede the efficacy of the defense that the words are merely descriptive," but enforcing the contract because no likelihood of confusion existed). M & M alleges, among other things, that: (1) the IPC is a corporate entity dominated by producers of the certified products and that such domination violates the provisions in 15 U.S.C. § 1064(5)(B); (2) the IPC uses the goodwill derived from the certification marks as a trademark in violation of § 1064(5)(C); (3) the IPC imposes certification standards other than those that the certification mark is registered to certify in violation of § 1064(5)(D); and (4) the IPC discriminately refuses to certify potatoes that meet the standards for certification, also in violation of § 1064(5)(D). All of these challenges implicate the public interest in maintaining a free market for the certified product unaffected by the possible competing economic interests of the certification mark owner.

We believe these public interests are more substantial and more likely to be harmed if M & M is not allowed to press its claims than the public interests and de minimis harm alleged in the trademark-related cases that upheld contractual no-challenge provisions. See, e.g., *Beer Nuts*, 477 F.2d at 329 (holding that public interest in guarding against depletion of general vocabulary insufficient to override contract law); *T & T Mfg.*, 587 F.2d at 539 (holding likelihood of confusion not

significant); *Times Mirror*, 103 F.Supp.2d at 738 (finding that no public injury had been demonstrated). Also, this case lacks a strong countervailing public interest other than the general interest in enforcing written contracts (like the interest in settlements) that persuaded courts to enforce contractual no-challenge provisions in other agreements. See, e.g., *Flex-Foot*, 238 F.3d at 1368. We therefore conclude that the district court erred in finding M & M contractually estopped as a matter of law from challenging the IPC marks. We express no view as to whether on remand M & M will be able to prove its counterclaims for cancellation of the marks. We hold only that M & M is not estopped from making and attempting to prove such claims in the first instance.

2. M & M's Other Arguments on its Cross-appeal

M & M also argues that the district court erred in its August 1998 Order by failing to grant M & M's motion for summary judgment on the merits of its challenge to the IPC marks. The district court did consider the merits of the joint summary judgment motion and ostensibly directed its holding to the "Packer Parties," which the court had defined to include M & M. However, the court's ruling on the merits[8] could not properly have been applied to M & M because the court had earlier in the same opinion held that M & M was estopped from challenging the IPC marks altogether. The court later made clear that for this reason it never intended to allow M & M to proceed at all with its counterclaims.[9] Thus, the court's holding denying summary judgment on the merits and limiting the issues for trial was in fact directed solely at Majestic, whose claims against the IPC were able to proceed to trial because it had not entered into a licensing agreement with the IPC. We therefore decline M & M's request to decide whether the district court erred on the merits of a

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[8] See supra note 5.

[9] See supra note 2.

summary judgment ruling that was not applicable to M & M and is not part of the appeal before this court. On remand, the court is free to consider motions for summary judgment by either party and otherwise allow the case to proceed in its normal course.

M & M also argues on appeal that the IPC's licensing scheme violates the First Amendment. We need not consider the merits of this claim, however, because it is not properly before us. M & M did not include this claim in its initial answer (filed in 1998) to the IPC's complaint. In August 2001, M & M moved to file an Amended Answer and Counterclaims that would have included the First Amendment claims. However, the district court denied the motion. Consequently, this issue was never part of the case and the district court never ruled on the merits. Although M & M could have challenged on appeal the district court's denial of its motion to amend, it chose instead to argue the First Amendment issue to us on the merits as a reason for not enforcing the IPC's licensing scheme. That latter issue is simply not before us.

Finally, M & M argues that the district court abused its discretion by failing to award M & M attorneys' fees as the "prevailing party" in an "exceptional case[ ]" under the Lanham Act. See 15 U.S.C. 1117(a) ("The court in exceptional cases may award reasonable attorney fees to the prevailing party."). We find no error in the district court's decision regarding attorney's fees at this stage in the litigation, much less error that would amount to an abuse of discretion. However, it is impossible for us to determine on this record whether M & M will be a prevailing party on remand, and, if so, whether this case should be properly regarded as "exceptional." We therefore cannot decide whether M & M will be entitled to attorneys' fees if it

prevails on its counterclaims. M & M is free to raise this issue in the district court should the disposition of this case change on remand.

B. The IPC's Appeal

We turn now to the IPC's appeal from the May 2002 Order vacating the jury award of $41,962 in its favor. The IPC contends that the district court erred in holding that monetary damages were not proper in this case. It argues that the district court erroneously utilized a per se rule that absent counterfeiting a licensor of a certification mark may never recover profits from an infringing licensee. We have doubts as to whether such a per se rule could withstand judicial scrutiny on appeal. However, we do not believe the IPC's reading of the district court's May 2002 Order is the only plausible one. Much of that opinion is devoted to the equitable reasons for denying relief in the form of monetary damages, a power which undeniably lies in the discretion of the district court. See 15 U.S.C. § 1117(a) ("If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case."). Due to the ambiguity in the opinion as to whether or not the district court was utilizing a per se rule and because the issue of the validity of such a rule might become moot if the district court ultimately finds for M & M on the merits of its challenge to the IPC marks, we believe it wise to refrain from deciding that issue today. We are remanding this case back to the district court in any event, and the district court should have the opportunity, if necessary, to clarify the basis of its holding on damages.

III. Conclusion

For the reasons given above, we therefore vacate the district court's August 1998 Order holding M & M estopped as a matter of law from bringing its counterclaims for cancellation of the IPC marks and remand for consideration of those claims on the merits. On remand, the district court should also clarify its May 2002 Order regarding damages if the M & M counterclaims fail on the merits.

APPENDIX B

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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97 Civ. 8125 (CLB)

IDAHO POTATO COMMISSION,
Plaintiff,

- against -

M&M PRODUCE FARMS & SALES d/b/a
M&M PRODUCE, M&M PACKAGING, INC.,
MATTHEW ROGOWSKI AND MARK ROGOWSKI,
Defendants.

Memorandum & Order,
Findings of Fact & Conclusions of Law

Brieant, J.,

On February 26, 2002, the jury returned a verdict against Defendants awarding $41,962.00 to Plaintiff Idaho Potato Commission ("IPC") for the infringement of the IPC's certification mark in violation of 15 U.S.C. § 1114. Plaintiff seeks an order of this Court to enter judgment pursuant to F.R.Civ.P. 58 against Defendants in the amount of $41,962.00, in accordance with the special verdict of the jury, which reflects the amount of profits to be disgorged from Defendants pursuant to 15 U.S.C. § 1117. Plaintiff also seeks injunctive relief.

Defendants filed a post-verdict motion on March 26, 2002 in which they request a judgment as a matter of law, pursuant to Fed.R.Civ.P. 50(b), vacating the $41,962 jury verdict, and granting other relief, as well as an award of attorney's fees

against the IPC pursuant to 15 U.S.C. § 1117(a), as the prevailing party in an "exceptional case."

Factual Background.

The IPC.

A group of Idaho potato growers and shippers established the Plaintiff Idaho Potato Commission in 1937 to promote the sale and use of Russet baking potatoes grown in the rich soil of Idaho. In order to accomplish this goal, the growers needed a funding source. The Idaho legislature granted the association of farmers the statutory right to tax potato growers. Originally a 3-cent tax per hundred weight, today Idaho potato growers and shippers pay ten cents per hundred weight of potatoes, allocated between farmers, who pay six cents per hundred weight, and the processor or the fresh packer, who pays four cents per hundred weight. The IPC found a second funding source in compulsory licensing fees it charges the in-state and out-of-state wholesaler of Idaho potatoes to use the certification marks adopted by the IPC. The IPC has three registered certification marks with the United States Patent and Trademark Office, two of which are at issue in this litigation. The first is the word "IDAHO" in its distinctive font, registered by the IPC in 1966 for a term of twenty years, and renewed for another twenty years in 1986. The second is the "GROWN IN IDAHO" mark written inside an outline of the boundaries of the state of Idaho, registered by the IPC in 1983 for a term of twenty years. One or more of these certification marks displayed on the retail package of potatoes, assure the consuming public that the potatoes bearing the marks were grown in Idaho, and were subject to federal and Idaho state standards of merchantability.

Nine commissioners govern the IPC. Five commissioners represent the growers, one from each of five designated regions of Idaho, two represent the fresh pack industry, two represent the processing industry, one represents the

dehydration industry and one, the frozen industry.[1] The commissioners are selected from among the constituencies they represent. Growers in an area nominate three people whose names are presented to the Governor of the State. The Governor picks one to serve for three years, with a two-term limit. Presently, the Chairman of the IPC is Mr. Bennie Blick, who testified at the trial.

The IPC does not sell potatoes itself, rather it functions as a promoter of the Idaho grown potato and an enforcer of its licensing policies for use of its marks. The goals of the IPC are to certify that any potato grown in Idaho crosses the state border with the Idaho seal or Idaho name attached, that no substitution occurs of potatoes not grown in Idaho, to maintain quality in the market and keep records, as well as to collect funds for its corporate purpose. The IPC is now an arm of the state of Idaho. The IPC considers Idaho potatoes of better quality than russet potatoes produced elsewhere, and thus entitled to receive a higher price than potatoes grown in other states. Mr. Blick conceded at trial that one cannot identify an Idaho potato by visual examination. He contends that when the potato is cooked, he can taste the difference. *See* Transcript, February 11, 2002 at 62: 1-7. Whether or not this is correct, a general consensus exists in the market to the effect that the Idaho potato is the best Russet baking potato. Richard David, Manager of Procurement for Produce, Twin County Grocers, the person responsible for buying potatoes for a chain of groceries for 25 years, testified at trial that he considered the Idaho potato the "Cadillac" of potatoes,

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[1] A fresh packed potato is harvested from the ground, packaged and shipped to purchasers to be sold either in retail trade or to institutional users. A processed potato can be either dehydrated, where the potato is dehydrated to the point that it becomes flaky and reconstituted by adding water, or frozen after the potato is cooked as a french fry, tater tot, mashed or twice baked potato. The fresh pack industry similarly prepares and packages potatoes for retail, usually in five pound paper or plastic bags.

generally more expensive than non-Idaho Russet potatoes. *See* Transcript, February 13, 2002 at 151.

The IPC sponsors an advertising program focusing on eighteen to twenty regional markets in the United States. Advertisements appear in magazines and retail, and institutional representatives personally promote the Idaho potato by traveling throughout the United States calling upon retailers and wholesalers to encourage their promotion of Idaho potatoes. Such representatives solicit restaurants and processors to put the Idaho certification mark on packages and menus to certify they use Idaho potatoes. The IPC Commissioners attend six or seven trade shows a year around the country. The IPC budget is $10 million per year; for the last six years the IPC has spent in excess of $6 million in advertising.

To make products like vegetables more profitable by ensuring that products meet grade requirements, the United States Department of Agriculture ("USDA") maintains cooperative agreements in forty-nine states and Puerto Rico. Licensed USDA graders perform inspections of potatoes and issue an official certificate marking the grade of a shipment. There are five USDA grades for potatoes set forth in Federal Marketing Order Regulation No. 945.341: U.S. Extra No. 1, U.S. No. 1, U.S. Commercial, U.S. No. 2 and Unclassified.[2] In Idaho, federal and state inspectors inspect Idaho potatoes prior to export from the state and reject any Idaho potato that is not a U.S. No. 2 grade or higher. According to Mr. Blick, the IPC's standards for the Idaho potato are the highest in the country.

The IPC protects its marks through an elaborate licensing scheme. Under the IPC's regulations, every Idaho potato grower must be licensed, and must place the Idaho mark upon

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[2] *See* http://www.ams.usda.gov/standards/potatoes for a general explanation of USDA marketing standards on all produce and in particular, potatoes.

containers and shipping documents for its harvest; no Idaho potato may leave the State of Idaho without the certification mark; every packer and shipper of Idaho potatoes must be licensed; every out-of-state purchaser of Idaho potatoes must be licensed to use the service marks and every repacker and reseller who purchases Idaho potatoes in bulk from a licensed out-of-state vendor must also be licensed.[3] The license agreements provide licensees with the right to use the IPC certification marks. Licensees in turn pay a fee and promise that they will put only Idaho potatoes in the Idaho marked bags. Licensees must also keep purchase and sale records so that the IPC can check periodically for compliance. On a random basis, the IPC selects licensees for audit to ensure that the amount of Idaho potatoes purchased equals the number of Idaho potatoes sold. The IPC out sources this audit function to the accounting firm of Deloitte & Touche.

Normally fresh potatoes are purchased by home consumers in five-pound bags. As the Idaho potato travels down the chain of distribution to its ultimate destination, the dinner plate, it passes through an elaborate network of buyers, sellers, repackers and resellers, all subject to the IPC licensing scheme. It is in one small segment of this chain of distribution, just before the potatoes in 5-pound bags reach the local supermarket, that the M&M Defendants' business functions.

The Defendants

M&M operates a small onion farm in the Town of Warwick, in Orange County, New York, a rural community located sixty miles northwest of New York City. The business is owned and operated by twin brothers, individual

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[3] The IPC license agreement applies only to repackers and resellers of Idaho potatoes sold at the wholesale level. Therefore, supermarkets or other vendors selling Idaho potatoes in 5-pound "consumer-size" bags are not subject to the licensing scheme. *See* Plaintiff's Exhibit 191 at ¶ 3.

defendants in this lawsuit, Matthew and Mark Rogowski assisted by Mark's wife Nancy. The brothers are equal partners. Matthew Rogowski is responsible primarily for the business end of the operation, doing all the buying and selling of products. Mark Rogowski primarily tends the farm and packing plant and Nancy Rogowski keeps the books. The Rogowski farm is located in the large "black dirt" area of Orange County, in the bed of a prehistoric sea. The soil is used for onions, celery, and other labor intensive root crops, but not potatoes. When the onions are harvested, Mark Rogowski is in charge of grading and packing them in a small packing plant on the premises. Because onions are a seasonal crop, Defendants have expanded their business over the years to include repacking potatoes during the rest of the year. The packaging business now operates seven days a week.

M&M repacks many varieties of potatoes such as, Russet baking potatoes, Maines, Washingtons, Oregons, Easterns, Canadian, Red Bliss and Yukon Gold, grown in various places. In order to repack Idaho potatoes, the Rogowski's obtained a licensing agreement from the IPC in 1990. During its licensing period, M&M purchased Idaho potatoes directly from Idaho fresh packers, such as Larsen, Harvest Moon Trading, Driscoll Potatoes, Inc. and Moody Creek. M&M also purchased Idaho potatoes at the Hunt's Point Terminal in Bronx, New York, from licensed Idaho potato vendors such as Ven-Co Produce, Inc. and G&T Terminal Packing Inc.

M&M purchases potatoes in bulk. The potatoes at a source point like Hunts Point Terminal are sold in large quantity containers, called a master container: A master container is comprised of smaller units, generally 50- or 100- pound bags, boxes of potatoes, otherwise known as "balers". Large institutional buyers, such as restaurants or hospitals may purchase potatoes in bulk in such large containers. M&M repacks the potatoes from these master containers into 5-pound consumer-size bags for retail. M&M purchased the

poly bags used in the process from Larry Liner at Alladin Transparent, a division of Bleyer Industries and later from a subsidiary of G&T which acquired them from the same source. To repack the potatoes, the brothers load the potatoes and the bags into a machine in their packing house. The machine packs 5 pounds of potatoes in each bag. Another machine sorts ten 5-pound bags of potatoes into a box or bag to be sold to M&M's customers. As Matthew Rogowski explained, "The potatoes go into like a big hopper. They go and they're weighed out electronically and the machine puts them in a five-pound poly bag. And then either the people, depending on what time of the year, what time frame we are (back in '95 it was all manual labor, we didn't have these computerized machines), they had to put them in a master bag by hand. But today they have computerized machine. They go in a master bag by another machine." Transcript February 19, 2002 at 361: 9-16. Some of the poly bags are spoiled during the packing process.

M&M sells its repackaged potatoes to several customers, such as Tropical and City Produce. M&M occasionally sells potatoes to consumers off the street. However, M&M's largest customer is, and always has been, G&T Terminal Packing Inc. ("G&T"), and all bags used by M&M showed the name of G&T as the source of the product.

G&T itself is a reseller of produce with repacking capabilities, but its main product according to its President, Anthony Spinale, is potatoes. G&T is a licensed reseller of Idaho Potatoes. G&T's primary customer base is supermarket chains, such as Pathmark, Twin County, Key Food, Grand Union and Wakefern. These sophisticated and experienced customers place orders with Mr. Spinale on a daily basis to meet their produce needs. Such orders required delivery to designated warehouses or distribution points in the New York - New Jersey metropolitan area.

To fill the orders for potatoes, G&T uses the services of M&M under informal arrangements. The principal such arrangement calls for "drop shipment". G&T calls M&M and places an order. Matthew Rogowski usually takes orders over the telephone from G&T, but "sometimes [he'd] be out in the fields during planting season ... and Tony would give [him] an order from G&T, and if it was a simple order, [he'd] just call Mark on the cell phone to the office and tell him what the order was." Transcript February 19, 2002 at 335:23 - 336:2. "Sometimes I write it on the newspaper. Just any kind of handy piece of paper. Maybe an envelope or something I have in my pocket. Anything." Transcript February 19, 2002 at 374:16-18. G&T then "sells" the potatoes to M&M. M&M packs the amount and type of potatoes ordered, in bags printed with G&T's name and delivers the order to G&T's customer. M&M then "sells" the potatoes to G&T attaching the delivery tickets of G&T's customers to its invoice and earning a small profit. Individual consumers purchase the 5-pound bags of potatoes bearing the name "G&T Brand ... Packed by G&T Terminal Packing Inc., Hunts Point Terminal Market, Bronx, New York" at their local supermarket. In essence, G&T was selling potatoes to M&M and then re-purchasing them in a repacked 5-pound unit quantity, after M&M had delivered the potatoes to G&T customers.

Under a second arrangement between the two companies, adopted primarily since the inception of this lawsuit, G&T purchases Idaho potatoes already packed in 5-pound quantities from Idaho sources. G&T sells to M&M boxes containing ten 5-pound bags. When G&T calls M&M with orders, M&M prepares a shipment by inspecting the potatoes in the 5-pound bags and discarding any spoiled or poor-quality potatoes. M&M then replaces the "bad" bags with "good" bags and ships a box made up of ten "good" 5-pound bags. This is an important component of G&T's business because if G&T delivered a load of bad potatoes to Wakefern, for example, Wakefern "would reject them and they would

not turn around and sit well with the buyer." Transcript February 14, 2002 at 317: 5-8.

This rather unusual pattern of business conduct between M&M and G&T does not conform to economic reality. In economic reality, G&T, a licensee of the IPC, was merely using M&M as an agent or independent contractor to repack G&T's potatoes in five pound bags with G&T's name on them as seller, and then deliver the potatoes to various customers of G&T in accordance with the directions of G&T, returning the delivery tickets to G&T. The supermarkets in most cases did not deal with M&M. G&T billed M&M as "buyer" of the potatoes and M&M then billed G&T as buyer for the same potatoes, accompanied by the delivery ticket, following which G&T billed the supermarkets. It is at least arguable that the standard form of IPC license, which is by its terms non-assignable, permits a licensee to repack its own potatoes in a packing machine belonging to somebody else. The complex practice of selling and reselling the same potatoes between G&T and M&M may be explained by the frequently expressed concerns of Mr. Spinale over the accuracy of the record keeping at M&M and its credit worthiness.

The relationship was not without the occasional mishap. The M&M operation was simple and unsophisticated, operated by people whose main interest was onion farming. On occasion, M&M would send to G&T's customers the wrong amount of potatoes, and so G&T began requiring that M&M fax back to G&T a confirmation of the order. *See* Transcript of witness Spinale February 14, 2002 at 301: 14-21 ("It wasn't really a normal practice. It started maybe about a year ago because with all due respect to those two gentlemen over there, [Rogowskis] they sometimes made quite a lot of mistakes, so in order to make sure that they had the order right, I would make them fax over the order ... they made too many mistakes and we had to have them fax it over.").

M&M's credit problems also caused G&T to create its own packing material company to sell bags to M&M. The large manufacturer of bags, Bleyer Industries, which printed the bags with G&T's name used by M&M to pack the 5-pound quantities of potatoes, complained that M&M would order bags to pack G&T's potatoes but would not pay on time. So, Mr. Spinale created Produce Packing Materials. Produce Packing would purchase bags from large suppliers and then sell the bags to M&M. *See* Transcript of witness Spinale February 14, 2002 at 312:18-23 ("With all due respect to those two gentlemen, their [Rogowskis] credit hasn't been too good over the years and a lot of people don't like to sell them because they don't pay too fast, so the bag manufacturer asked me if they could bill me for the bags because I pay them faster and they were worried about not getting paid from them.").

As noted earlier, M&M operated with an IPC license until February 1995, at which time the IPC revoked the license. In 1993, M&M had a fire in its packing house and Matthew Rogowski's office, destroying records. The following year M&M received notice of an audit from the IPC instructing it to give the IPC all its records. M&M could not or would not produce sufficient records and so the IPC asked for the license to be returned, and M&M complied. Because M&M could no longer use the IPC certification mark, M&M's sales of Idaho potatoes decreased. M&M was unable thereafter to purchase Idaho potatoes. G&T then took all its 5-pound business to Idaho. Idaho potatoes were prepacked in Idaho and G&T would sell them to M&M for repacking.

The Complaint

On November 3, 1997, the IPC filed this lawsuit, and filed an Amended Complaint on June 12, 1998. The lawsuit originally named several plaintiffs and defendants, but after four years of pre-trial litigation, the IPC emerged as the sole Plaintiff, asserting seven claims against four named

Defendants: M&M Produce Farm & Sales d/b/a M&M Produce, M&M Packaging, Inc., Matthew Rogowski, individually, and Mark Rogowski, individually.

In Count 1 of its Complaint, the IPC alleged that Defendants had violated 15 U.S.C. § 1114, which states:

> Any person who shall, without the consent of the registrant use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive shall be liable in a civil action.

Counts II and III of the Complaint allege claims of false designation of origin and dilution in violation of 15 U.S.C. § 1125(a), which provides:

> Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services or commercial activities...shall be liable in a civil action.

Counts IV through VII allege claims of unlawful and unfair competition under Idaho and New York law; injury to business reputation and dilution under New York law; and dilution under Idaho law.

The Verdict

On February 26, 2002, the trial jury returned a special verdict in this case. Questions 1 through 5 asked the jury to determine, with respect to each Defendant:

> Did the IPC prove by a preponderance of the credible evidence that, during the period September 1, 1995 through April 30, 2001, [Defendants], sold potatoes in bags with the "Idaho" or "Grown in Idaho" certification marks of the IPC without the consent of the IPC?

The jury unanimously decided that each defendant had sold potatoes in bags with the "Idaho" or "Grown in Idaho" certification marks without the consent of the IPC. Questions 6 and 7 asked the jury to determine the amount of profits that Defendants earned from the sale of Idaho potatoes in packaging marked with the "Idaho" or "Grown in Idaho" certification marks without the consent of the IPC. The jury concluded that Defendants earned $41,962 from such transactions.

Questions 8 through 11 of the Special Verdict Form, asked the jury to determine, with respect to each Defendant:

> Did the IPC prove by a preponderance of the credible evidence that during the period September 1, 1995 through April 30, 2001, [Defendants] sold as Idaho potatoes, potatoes not grown in Idaho?

The jury unanimously answered these interrogatories in the negative. That conclusion is well borne out by the evidence at trial, and indeed, inescapable for reasons discussed below.

Defendants filed the aforementioned post-trial motion seeking an order of this Court vacating the jury's damage award as a matter of law.

Legal Analysis

The jury concluded that Defendants incurred no liability for dilution or false designation of origin. Therefore, the

Court shall enter judgment against Plaintiff on Counts II and III, that the Defendants are not liable for the federal claims under 15 U.S.C. §§ 1125(a) and (c), and against Plaintiff on Counts IV through VII, that Defendants are not liable for unlawful and unfair competition under New York and Idaho state law, and dilution under New York and Idaho state law.

The next issue before the Court for decision concerns Defendants' use of Plaintiff's certification mark after the revocation of their license agreement. The Court concludes that as a matter of law, the evidence bearing on this issue does not sustain the right to recover monetary damages, and therefore that portion of the jury verdict should be vacated.

A "certification mark" is defined in 15 U.S.C. § 1127 as:

> any word, name, symbol, or device or any combination thereof - (1) used by a person other than its owner, or (2) which its owner has a bona fide intention to permit a person other than the owner to use in commerce and files an application to register on the principal register established by this chapter, to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization.

The IPC has registered its certification marks with the United States PTO. In this litigation, this Court has twice recognized the validity of the marks at issue. *See* Memorandum & Order, August 26, 1998 and Memorandum & Order, October 12, 2001. The IPC is entitled to enforce its certification mark rights through a licensing scheme. This Court upheld such right in its August 26, 1998 Memorandum & Order at 9, citing *inter alia*, 15 U.S.C. § 1064(5)(A) & (D). These prior conclusions are adhered to and incorporated by reference.

We observe next that, although the Lanham Act provides generally in 15 U.S.C. § 1054 that certification marks are entitled to the same protection as trademarks, which would include the right to damages, the Act specifically distinguishes between the rights of trademark owners and certification mark owners, requiring that certification mark licenses *must* be granted where the licensee's products meet the applicable standards of the certifier. *See* 15 U.S.C. § 1064(5)(D), which provides,

> A petition to cancel a registration of a mark...may be filed...at any time in the case of a certification mark on the ground that the registrant...discriminately refuses to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies.

This Court also recognized this principle in its Memorandum & Order dated August 26, 1998. In *Community of Roquefort v. William Faehndrich, Inc.*, 303 F.2d 494, 497 (2d Cir.1962), our Court of Appeals recognized such distinction between the rights of a trademark owner and certification mark owner as follows: "A trademark gives a producer exclusive rights; but a certification mark...must be made available without discrimination to certify the goods of any person who maintains the standards or condition which such mark certifies." Use of a certification mark without consent will support an action for infringement. See 15 U.S.C. § 1114.

Our trial jury found that the M&M Defendants had not packed counterfeit spurious potatoes not grown in Idaho, in bags with the Idaho certification mark, and this finding is supported by substantial evidence, and, indeed, as noted earlier, is inescapable.

The contention at trial that M&M sold non-Idaho potatoes in bags labeled "Idaho" was founded on a flawed accounting study commissioned by the IPC from the accounting firm of

Deloitte & Touche, fueled by an inference drawn from the number of bags imprinted with the certification mark and purchased by Defendants from a printer, the capacity of which appeared to exceed the amount of Idaho potatoes purchased by M&M from G&T and others during the time period. The scope of the "agreed upon procedure" in lieu of an audit was dictated by the IPC (Henry testimony, p. 408 et seq. February 19, 2002). The procedure relied in part on product codes used by the supermarket chains, which may or may not coincide with the shipping tickets and invoices of G&T/M&M. The agreed upon procedure did not analyze or compare the purchases and sales of non-Idaho potatoes, an omission which gave rise to a devastating argument in summation, to the effect that the bags sold were not filled with air (Tr at 503 and 789). That the sophisticated and experienced produce buyers from the various chainstores, who paid more for Idaho potatoes, and had their own customer good will to protect, never complained, also speaks volumes.

Relying on the presumption of regularity, this Court may assume that when M&M sold potatoes in bags with the Idaho certification mark, the potatoes were genuine Idaho. The question then becomes whether infringement exists where an ex-licensee of a certification mark continues to sell the genuine product, labeled as such, and showing G&T, which then held a license, as the packer and seller of record. During the relevant period all potatoes sold by M&M were in G&T bags and as to most, G&T invoiced the customers.

The purpose of a certification mark is to assure the authenticity of goods labeled with the mark, that a product sold with a mark is what it purports to be: that only blue-mold cheese produced from sheep's milk, cured in the natural limestone caves of Roquefort, France is sold as Roquefort cheese; and that only potatoes grown in the soil of Idaho are sold as Idaho potatoes.

A certification mark is a special creature created for a purpose uniquely different from that of an ordinary trademark or service mark. *See* McCarthy on Trademarks and Unfair Competition at § 19:91. There are three basic types of certification marks: (1) The "Good Housekeeping Seal"-type certification of quality of goods or services; similar is the Underwriters Laboratories standards and testing type of mark; (2) The "Roquefort Cheese"-type of certification of regional origin; and (3) The "Union Label"-type certification that goods were made or services performed by members of an identified collective bargaining unit. *Id.* It is of no consequence *who* sells these products; rather it is of great consequence to the licensors and retailers that consumers have confidence in the origin of the products. Therefore, if genuine products are sold with a certification mark on them, no likelihood of confusion results and there can be no liability for infringement, and no consequent damages.

Here, the IPC's licensing requirements required that only potatoes grown in Idaho be sold in bags labeled with the Idaho marks. These requirements are crafted to guarantee that the potatoes on our dinner plate come from Idaho if they bear the mark. The IPC's rights are only violated if a potato not grown in Idaho bears the Idaho mark. The IPC is not entitled to protect such rights by discriminating as to who may obtain an Idaho license. Licenses are to be granted by certification mark owners to any entity dealing in Idaho potatoes. Otherwise, the IPC acts as if it were a trademark owner.

We assume, although it is beyond the scope of the issues litigated, that the owner of a certification mark may impose reasonable fees on the licensee, relating to quantity sold, may require adherence to a formal license agreement of the sort in evidence in this case, and may require the maintenance of adequate records to confirm the fees to be paid, all as conditions of licensure, without violating the statutory rule against discrimination. We also assume that the holder of

such a mark need not license one who returned a prior license when accused of incomplete record keeping, even if the bad record keeping resulted at least in part from a fire. This Court also assumes that on proof of counterfeiting (not present here) monetary damages can be awarded measured by the profits earned by a malefactor. In logic, however, the only remedy to be awarded where there is no misbranding, but simply the failure to take a license, would seem to be equitable relief.

Under the circumstances of this case, there is no basis for the award of monetary damages. The jury interrogatory as to damages was appropriate in the event the jury found misbranding, or the substitution of non-Idaho potatoes. The potatoes sold were genuine, G&T was the true seller, and it had a license.

A court faced with an infringement claim for unauthorized sales of a *trademarked* product must perform a two-part test: first, the court must consider whether the trademark owner authorized the first sale of the goods; and then second, the court must determine whether as a matter of fact, the goods which were later resold without authorization were genuine. If the goods were genuine there is no violation of the Lanham Act despite the fact that the goods were resold without the trademark owner's consent. *See Ryan v. Volpone Stamp Co.*, 107 F.Supp.2d 369, 399 (S.D.N.Y. 2000) (J. Haight). Under this principle, known as the First Sale Doctrine, Defendants did not infringe Plaintiff's certification mark by reselling potatoes bought from any of the licensed suppliers.

Additionally, in cases of resale, defendants enjoy a special defense to an infringement claim. If an owner authorizes the original sale of the trademarked products, then the owner of a mark may not complain about their resale unless the goods did not meet the trademark owner's quality control standards. *See Polymer Technology Corporation v. Mimran*, 37 F.3d 74 (2d Cir. 1994); *see also H.L. Hayden Co. of New York, Inc. v. Seimens Medical Systems, Inc.*, 879 F.2d 1005 (2d Cir.1989).

Here, Defendants repacked and resold Idaho potatoes purchased from licensed vendors. The quality of the potatoes sold satisfied the USDA published standards and met the requirements of experienced and sophisticated produce buyers in the highly competitive chainstore grocery business. Therefore, the Defendants may avail themselves of the resale defense.

The Court concludes that Plaintiff is entitled to an injunction against Defendants prohibiting them from packing or repacking Idaho potatoes or potatoes labeled as such without a license. *See Community of Roquefort, supra; See also Church of Scientology International v. Elmira Mission of the Church of Scientology*, 794 F.2d 38 (2d Cir. 1986). Defendants, by a post-trial submission, ask this Court to order Plaintiff to issue a license. That relief is denied without prejudice as not within the scope of the issues actually tried.

The application of Defendants for attorney's fees as a prevailing party in an exceptional case is denied. Defendants did not prevail as to the significant equitable issue in the case, and this lawsuit does not come within the meaning of an exceptional case to warrant an award of attorney's fees under 15 U.S.C. § 1117(a).

Conclusion

Counsel shall present on waiver of notice, or five (5) days notice of settlement, a proposed final judgment which shall enjoin Defendants from packing or repacking Idaho potatoes or potatoes labeled as such without a license from the IPC, and providing that all other relief demanded in the case by any party is denied. The foregoing constitutes this Court's findings and conclusions after trial.

SO ORDERED.

Dated: White Plains, New York
May 14, 2002

/s/ Charles L. Brieant
Charles L. Brieant, U.S.D.J.

APPENDIX C

UNITED STATES DISTRICT COURT
S.D. NEW YORK

No. 97 Civ. 8125(CLB)

IDAHO POTATO COMMISSION,
Plaintiff,

v.

M & M PRODUCE FARMS & SALES d/b/a M & M PRODUCE, M & M PACKAGING, INC., MATTHEW ROGOWSKI, MARK ROGOWSKI, JOHN DOE NO. 1. THROUGH DOE JOHN NO. 100.,
Defendants.

HAPCO FARMS, INC.,
Plaintiff,

v.

IDAHO POTATO COMMISSION,
Defendant.

IDAHO POTATO COMMISSION,
Plaintiff,

v.

MAJESTIC PRODUCE CORP., MAJESTIC PRODUCE TRUCKING CORP., CHRISTINE RICHARDSON, RITA STRUMPH, JOSEPH STRUMPH, GEORGE RICHARDSON, JOHN DOE NO. 1. THROUGH JOHN DOE NO. 100,
Defendants.

G & T TERMINAL PACKAGING CO., INC.,
Intervenor,

v.

IDAHO POTATO COMMISSION,
Defendant.

Jan. 22, 1999.

MEMORANDUM & ORDER

BRIEANT, District Judge.

Presently before the Court in these consolidated cases is the motion of the Idaho Potato Commission (the "IPC") (doc. no. 122), brought pursuant to Fed.R.Civ.P. 12(b)(1)(3) and (6), to dismiss the counterclaims of M & M Produce Farms et al., ("M & M") and Majestic Produce Corp. et al., ("Majestic") on grounds of, *inter alia*, Eleventh Amendment Sovereign Immunity. Also before the Court are the motions of the IPC, brought on similar grounds, pursuant to Fed.R.Civ.P. 12(b)(1)(3) and (6), to dismiss the complaint of the intervenor, G & T Terminal Packaging Co., Inc. ("G & T") (doc. no. 124) and the second amended complaint of Hapco Farms, Inc. ("Hapco") (doc. no. 126). These motions were heard and fully submitted on November 20, 1998.

The Court also addresses at this time Hapco's (doc. no. 106) and M & M's (doc. no. 108) motions to reargue this Court's Memorandum and Order dated August, 26, 1998 denying Hapco's, M & M's, and Majestic's (collectively the "Packer Parties" or the "Packers"[1]), motion for partial summary judgment. While some familiarity of the reader with the substantial record in this case must be assumed,[2] facts necessary to place the Court's ruling in its proper context will be provided.

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[1] The Court incorporates the intervenor, G & T into the use hereinafter of "Packer Parties" or the "Packers."

[2] The procedural history of these consolidated cases was recited by this Court in its oral ruling of July 20, 1998. *See* Transcript 55-63.

Background

"We're serious but not solemn about potatoes here. The potato has lots of eyes, but no mouth. That's where I come in."

—E. Thomas Hughes, founder of the Potato Museum, Washington D.C.

As Mr. Hughes has taken steps to immortalize the potato, this Court finds itself in the precarious position of protecting the potato's good name. *Solanum tuberosum*, the potato, is one of the main food crops of the world. The edible part of the plant is a tuber (*i.e.*, the swollen end of an underground stem). The potato, commonly referred to as common potato, white potato or Irish potato, is botanically unrelated to the sweet potato or the yam, with which it is often confused, but is related to the tomato and the tobacco plant, all of which belong to the nightshade family.

The potato's origin can be traced back some 1,800 years to the Peruvian-Bolivian Andes. When the Spanish Conquerors reached South America in the early 1500s, they found the Incas growing potatoes. The Spaniards called them *batata* because they resembled the sweet potatoes grown in the West Indies. The English changed this to "potato." The potato arrived in Europe at the end of the 16th century, aboard Spanish treasure ships. It was grown without fanfare in Spain, and carried by monks to Italy and then across the Alps to Northern Europe. By the end of the 17th century the potato had become a major crop in Ireland.

Antoine-Augustin Parmentier, a French scientist, promoted the potato in 18th century France. As a prisoner of war in Germany he was well fed on potatoes. He recognized their nutritional value and devised schemes to encourage that potatoes be grown and consumed. Parmentier dispelled the superstitious fears of French peasants that potatoes caused

leprosy and fevers, and between 1773 and 1789 wrote books and pamphlets urging potato cultivation. As homage, potato soup in France became known as Potage Parmentier.

Once established, the potato became the staple food of the poor of Europe. Vincent Van Gogh's "The Potato Eaters" (1885) depicts a Dutch coal mining family sharing a meal of potatoes and coffee. Van Gogh did several versions of this painting, which remains a famous masterpiece. Van Gogh is not the only artist to incorporate the potato into art. The French artist, Jean Francois Millet's painting "The Angelus" (1859), the original of which is in the Louvre in Paris, shows a farm couple pausing for the evening prayer over their harvest of potatoes.

The potato's story in Ireland is well known. For 200 years the potato, supplemented by small grains and other produce, fed the healthiest peasants in Europe. Poor tenant farmers, artisans and small holders in Ireland all growing the same variety of potato, and nothing else, in tiny plots allowed them for their families, ate little else. Before the potato, people subsisted on cabbages, turnips, parsnips, beets, peas and beans, together with bread made from wheat and small grains. All of these foods could be dried or otherwise preserved during the winter, but required far more land and labor to generate equivalent subsistence. The coming of the potato deferred the dire future predictions of the Malthusians. The Irish economy became dependent upon the potato. In 1845 and 1846 a disease called late blight, caused by the fungus *Phytophthora infestans*, which rots leaves, stems, and tubers, virtually destroyed the Irish potato crops. When the blight struck, the poor had nothing to eat, resulting in a devastating country-wide famine. At the height of the famine, at least one million people died and many more emigrated to North America and Australia. Over just a few years the population

of Ireland dropped from about nine million to little more than four million. The country has never regained its pre-1840 population levels.

As early as 1621, the potato came to Virginia, from England by way of Bermuda. According to the United States Department of Agriculture (USDA), potatoes have now become the most important vegetable crop in the United States, providing 15 percent of vegetable producers annual cash receipts. In the late 19th century, potato production was centered in New York, Pennsylvania and Ohio. As the population moved west, so did potato production. Michigan and Wisconsin became major producers in the early 1900's, but New York remained the leading state until Maine took over in the mid-1920's. Rail transportation and the refrigerated railcar helped Idaho, California, and Colorado compete in eastern U.S. markets during the 1930's and 1940's. However, Maine remained the leading producer until the late 1950's when the rising popularity of processed (especially frozen) potatoes placed the state of Idaho in the lead with its Russet Burbank variety.

The Russet Burbank was originated in 1914 by Lou Sweet, a potato grower in the western slope area of Colorado who later became the President of the Potato Association of America in 1920. Mr. Sweet selected a mutation of the Burbank potato named after Luther Burbank, a pioneer in selective improvement of seeds and plants. According to the Potato Association of America, the Russet Burbank variety is the standard for excellent baking and processing quality. Additionally, the variety gained value based on its somewhat better resistance to a number of potato tuber diseases. As a result, the Russet Burbank is now the leading variety of the more than 500 different potatoes grown in the United States.

With the average American consuming 137.9 pounds of potatoes a year as recently as 1995, potatoes rank second (behind wheat) in importance to U.S. growers among crops

grown primarily for food use (as opposed to livestock feed or for vegetable oil production). According to the USDA, Idaho, Washington, and Oregon currently produce over half of the U.S. crop, with much of this crop processed (mostly into frozen french fries). The USDA lists potatoes as the leading vegetable crop with a farm value of between $2 and $3 billion dollars and reports that the state of Idaho remains at the top of this significant industry.

These consolidated cases represent a legal challenge to the power of the Idaho Potato Commission and the entire Idaho potato industry; the outcome and effect of which is clearly no small potatoes.

The Idaho Potato Commission

The IPC is an agency created by the Idaho Legislature and charged with promoting the sale of Idaho potatoes, resisting the unlawful misbranding of other potatoes as Idaho potatoes, and protecting the quality of Idaho potatoes.[3] In an effort to maintain and protect the identity and integrity of Idaho potatoes, pursuant to Idaho Code §§ 22-1207(9), the IPC is required to "devise and require the application of either a seal, label, brand, package, or any other suitable device that will protect the identity of the original Idaho pack of potatoes as near to the final consumer as possible." Consistent with that statutory requirement, the IPC or the State of Idaho duly registered in the principal register of the United States Patent and Trademark Office (the "PTO") the following five "certification marks" (collectively the "Idaho Marks"):

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[3] As used herein "Idaho Potatoes" refers to russet potatoes grown in Idaho. We do not reach or consider whatever issues may arise when potatoes of identical genetic content are grown under substantially identical soil and climate conditions in one of the states which border Idaho.

(1) Registration number 631,499 (the '499), first registered on July 24, 1956, applies to the following stylized certification mark when used in connection with potatoes:

The '499 certifies the "regional origin" of goods that are so marked.

(2) Registration number 802,418 (the '418), first registered on January 11, 1966, applies to the following certification mark when used in connection with potatoes:

IDAHO

The '418 certifies that "goods so marked are grown in the State of Idaho."

(3) Registration number 943,815 (the '815), first registered on September 26, 1972, applies to the following stylized certification mark when used in connection with potatoes:

The '815 certifies "that goods so marked are grown in the state of Idaho."

(4) Registration number 1,223,007 (the '007), first registered on January 4, 1983, applies to the following stylized certification mark when used in connection with potatoes:

The '007 certifies "that goods so marked were grown in the State of Idaho."

(5) Registration number 1,735,559 (the '559), first registered on November 24, 1992, applies to the use of the following stylized certification:

The '559 certifies that goods so marked are "grown in Idaho."

The IPC has also registered the trademark "IDAHO" with the Idaho Department of State, registration number 6101, which "mark certifies that goods so marked are grown in the State of Idaho." The IPC also claims common law trademark rights in the words "IDAHO" and "GROWN IN IDAHO" when used in conjunction with the word "potato."

As recently as 1998, the Idaho Legislature has confirmed the powers of the IPC and explicitly directed the IPC to "require all those using any of the Idaho trade or certification marks, or handling or packing potatoes grown in Idaho, to execute an agreement in the form prescribed by the commission ..." Idaho Legislature, S. Bill No. 1399.

Shippers who purchase and resell Idaho potatoes in 5- and 10-pound consumer bags do not need an IPC license. The IPC does require, however, that all shippers who buy Idaho potatoes in bulk and then repackage them in consumer bags must obtain a license and agree to submit to IPC's audit and inspection process. The IPC charges a nominal sum for an annual license fee of $100 for shippers located in Idaho, or $300 for shippers located outside the state. The IPC licensing agreements contain clauses that acknowledge that certain of the Idaho Marks "are valid, registered marks," and that the parties to the licensing agreement "will not during the term of the agreement, or at any time thereafter, attack the title or any rights" of the IPC in and to the relevant Idaho Marks.

M & M Produce Farms & Sales

In 1990, defendant M & M, a repacker of produce, entered into a licensing agreement with the IPC to use Idaho marks. In February 1995, the IPC terminated M & M's license as a result of M & M's failure to comply with the provisions of the agreement. Thereafter, M & M was prohibited from using Idaho marks. In October 1997, during a compliance audit that the IPC's auditors were conducting of the operations of G & T Terminal Packaging Company, one of its licensees, located in the Hunts Point Terminal Market in New York City, the IPC learned that M & M was repacking potatoes for G & T in G & T bags bearing marks that were identical or substantially indistinguishable from IPC's marks '007 and '418. The license agreement between the IPC and G & T prohibits assignment or sublicenses of the licensee's right to the IPC's marks. The IPC also claims that M & M was repacking non-Idaho potatoes and potatoes failing to meet quality requirements in G & T bags bearing marks that were identical or substantially indistinguishable from IPC's marks '007 and '418.

As a result of these actions, the IPC brought suit against M & M (97 Civ. 8125) alleging, *inter alia,* that M & M diluted and counterfeited the Idaho Marks in violation of the Lanham Act, 15 U.S.C. § 1501 *et seq.*, and New York and Idaho statutory and common law.

M & M alleges the following counterclaims against the IPC: cancellation of the IPC marks under federal law (First, Second and Third Counterclaims); cancellation of the IPC marks under state and common law (Fourth Counterclaim); restraint of trade in violation of the Donnelly Act, New York General Business Law § 340 (Fifth Counterclaim); interference with contractual relations (Sixth Counterclaim); interference with prospective contract (Seventh Counterclaim); federal antitrust violations under the Sherman Act and Clayton Act (Eighth and Ninth Counterclaims); and prima facie tort (Tenth Counterclaim).

Majestic Produce Corp.

Majestic, also a repacker of produce, applied for a license from the IPC in the fall of 1996. After the IPC questioned Majestic' general manager, Joe Strumph's, role in a company that had previously been caught mislabeling, Majestic withdrew its application. In 1997, the IPC learned that without ever receiving a license from the IPC, Majestic was selling potatoes in bags with the IPC's marks. The IPC filed suit against Majestic (98 Civ. 2934) alleging the same claims that it did against M & M. Majestic counterclaims against the IPC on the following grounds: cancellation of the IPC marks under federal law (First, Second and Third Counterclaims); cancellation of the IPC marks under state and common law (Fourth Counterclaim); and federal antitrust violations under Sections 1 and 2 of the Sherman Act (Fifth and Sixth Counterclaims).

Hapco Farms, Inc.

Although the facts alleged in Hapco's second amended complaint must be accepted as true for the purposes of IPC's motion to dismiss, to place this Court's decision in context, the Court takes notice of the prior history of relationships between Hapco and the IPC. In 1983, Hapco, one of the largest produce sellers and repackers in the United States, entered into a license agreement with the IPC for the use of the Idaho marks. Hapco renewed this license annually through August 31, 1996. In February 1996, the IPC was notified of possible misbranding by Hapco—*i.e.* packaging non-Idaho potatoes in containers with the Idaho marks. The IPC conducted a formal administrative hearing that culminated in the signing of a consent order which included: a $200,000.00 civil penalty against Hapco; the surrender of Hapco's license; and an acknowledgment from Hapco that the Idaho marks covered in the licensing agreement were valid and subsisting and entitled to protection under the Lanham Act and related state and common law, and that the IPC was their sole owner. *See* Kole Decl. at Exh. 4., hereinafter the *Consent Order*.

By way of its second amended complaint, Hapco now challenges the ability of the IPC to maintain the Idaho marks. Hapco has no present interest in reobtaining a license from the IPC, but rather is seeking declaratory and injunctive relief by the Court canceling each of the Idaho marks under federal and state law (First and Second Claims). Specifically, Hapco alleges that it wishes "to purchase russet potatoes grown in Idaho from non-Idaho brokers; ship them to various Hapco facilities located in states other than Idaho; repack them in consumer sized bags (mostly 5 and 10 pound bags); and then sell the repacked potatoes to customers, consisting primarily of grocery stores." Hapco Second Amended Complaint ¶ 30.

Hapco alleges that the "repacked bags would bear in substance the following lettering:

[NAME OF HAPCO GROCERY STORE CUSTOMER]
IDAHO RUSSET POTATOES

or -

[NAME OF HAPCO GROCERY STORE CUSTOMER]
RUSSET POTATOES
GROWN IN IDAHO."

Id.

Hapco also seeks compensatory damages of not less than $15 million, and treble damages on three claims of antitrust violations. Hapco's Third Claim alleges that the IPC has violated Section 1 of the Sherman Act by anti-competitive and unjustified acts. Specifically, Hapco alleges that the IPC dominates and otherwise controls the Idaho potato industry, which enables the IPC to affect competition significantly in the market for shipping, packing and distributing Idaho potatoes. Hapco further alleges that the IPC uses its control to restrain trade of bulk sales of potatoes grown in Idaho. Hapco's Fourth Claim alleges that the IPC maintains a monopoly over, and otherwise controls and dominates, the Idaho potato industry in violation of section 2 of the Sherman Act. Hapco's Fifth Claim realleges these arguments as a violation of the New York State Donnelly Act.

G & T Terminal Packaging Co., Inc.

G & T, a packer and repacker of potatoes, also seeks to purchase and repack Russet and other potatoes grown in Idaho in the manner proposed by Hapco. G & T brings this lawsuit despite having entered into a licensing agreement with the IPC, similar in nature to those entered into by M & M and Hapco. G & T's claims are nearly identical to

the other Packer Parties' claims in that it seeks a declaratory judgment canceling the Idaho marks under federal and state law (First, Second, Third, and Fourth Claims); injunctive relief and compensatory and treble damages for federal and state antitrust violations (Fifth, Sixth, and Seventh Claims); and compensatory damages for prima facie tort (Eighth Claim).

Discussion

THE IPC'S MOTIONS TO DISMISS

Eleventh Amendment Immunity

The IPC argues that as an agency of the state it is immune from suit by Hapco and G & T under the Eleventh Amendment. The IPC also seeks sovereign immunity from M & M's and Majestic's counterclaims, except for compulsory counterclaims to the extent they seek set off or recoupment reducing any affirmative recovery by the IPC. The Packers claim that the IPC is not a state agency entitled to Eleventh Amendment immunity, and that assuming, *arguendo*, it is, any immunity from Hapco's and G & T's claims for cancellation of the IPC's marks has been abrogated by the Lanham Act, as amended by the Trademark Remedy Clarification Act of 1992, 15 U.S.C. § 1122.

The Eleventh Amendment provides as follows:

> The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State.

U.S. CONST. amend. XI. The Supreme Court has interpreted the Eleventh Amendment to include actions brought by any citizen against a state in federal court. *See Mancuso v. New York State Thruway Authority*, 86 F.3d 289, 292 (2d Cir. 1996) *cert. denied*. 519 U.S. 992, 117 S.Ct. 481, 136 L.Ed.2d

375 (1996); *Hans v. Louisiana*, 134 U.S. 1, 10-11, 10 S.Ct. 504, 33 L.Ed. 842 (1890). Any entity may enjoy Eleventh Amendment immunity if it can demonstrate that it is "more like 'an arm of the state,' such as an agency, than like 'a municipal corporation or other political subdivision.'" *Mancuso*, 86 F.3d at 292 (quoting *Mt. Healthy City Sch. Dist. Bd. of Educ. v. Doyle*, 429 U.S. 274, 97 S.Ct. 568, 50 L.Ed.2d 471 (1977)).

Initially, the Court rejects reliance by the Packers on *Idaho Potato Commission v. Washington Potato Commission*, 410 F.Supp. 171 (D.Idaho 1975). At most, that case, which has no precedential value, represents a finding that the *Washington* Potato Commission is not entitled to Eleventh Amendment immunity. The Packer's, however, argue from that case that "*the United States District Court for the District of Idaho has already determined* [in that case] *that* [the IPC] *is not a state agency*." Packers' Brief at p. 2. (emphasis in original). In *Idaho Potato Commission*, the IPC's status as a state agency was analyzed only in terms of who was the real party in interest for the purposes of determining diversity jurisdiction. *Cf. Regents of the Univ. of Cal. v. Doe*, 519 U.S. 425, 430 n. 6, 117 S.Ct. 900, 137 L.Ed.2d 55 (1997). The *Idaho Potato Commission* court never held, explicitly or otherwise, that the IPC was not a state agency. Accordingly, this Court rejects the Packers' arguments for collateral estoppel and a binding adoptive admission arising out of that case. Our decision is informed only by *Mancuso* analysis.

Mancuso Analysis

In deciding whether an entity is immune from suit in a federal court under the Eleventh Amendment, our Court of Appeals has held that this Court must consider the following six factors: "(1) how the entity is referred to in the documents that created it; (2) how the governing members of the entity are appointed; (3) how the entity is funded; (4) whether the entity's function is traditionally one of local or

state government; (5) whether the state has a veto power over the entity's actions; and (6) whether the entity's obligations are binding upon the state." *Mancuso*, 86 F.3d at 293.

Should the Court find that the above stated factors point in different directions, or are evenly balanced, then the Court must consider whether allowing the entity to be sued in federal court would put the state treasury at risk and/or whether it would threaten the integrity of the state. *Id.* As a last resort, our Court of Appeals has told us to "remain mindful of the Supreme Court's emphasis that 'the vulnerability of the State's purse [is] the most salient factor.'" *Mancuso,* 86 F.3d at 293. (quoting *Hess v. Port Authority Trans-Hudson Corporation,* 513 U.S. 30, 48, 115 S.Ct. 394, 130 L.Ed.2d 245 (1994)); *See Regents,* 519 U.S. at 429-30, 117 S.Ct. 900 (considering the nature of the entity created by state law and whether a money judgment against the entity would be enforceable against the state treasury).

The first *Mancuso* factor, how the entity is referred to in the documents that created it, favors a finding of immunity. The Idaho Code § 22-1202 clearly created and established the IPC as part of the state's department of self-governing agencies. *See* Idaho Code § 67-2601 ("the department of self-governing agencies . . . shall, for the purposes of section 20, article IV of the constitution of the state of Idaho, be an executive department of the state government."). Such language is conclusive that the State of Idaho intended the IPC to be a department of the state. The *Mancuso* court also looked at the state's decisional law to help determine the formal status of the entity. The IPC cites to an Idaho trial court decision, *Randolph v. Idaho Potato Commission,* Case No. 95420, page 1 (Idaho Fourth Jud.Dist.1993) ("the Commission is a state agency") as proof of conclusive evidence of the IPC's status as state agency. The *Randolph* court's analysis of the IPC's creating documents confirms further that the IPC is a state agency. Thus, this factor points toward immunity.

The second *Mancuso* factor requires the Court to consider who appoints the IPC members. This factor also favors a finding of immunity. The IPC consists of nine members: five growers, who are geographically represented; two shippers; and two processors, all of whom are appointed by the Governor. Idaho Code § 22-1202; Gilmore Decl. ¶ 6.

The third *Mancuso* factor, how the IPC is funded, weighs heavily against immunity. The IPC is clearly self-funded by a "tax" that it levies on potatoes. Idaho Code § 22-1211. This "tax" is assessed, by the IPC, "for the sole purpose of financing, on behalf of the potato industry in Idaho, the commission's activities." Idaho Code § 22-1204(13). The IPC also funds itself through licensing agreements, Idaho Code § 22-1207(12), and civil penalties it imposes on transgressors. Idaho Code § 22-1213. Although all funds received by the IPC are deposited in state depositories, they are deposited in one or more separate accounts in the name of the IPC, and may only be "appropriated for" use by the IPC. Idaho Code § 22-1209.

The fourth *Mancuso* factor, whether the entity's function is traditionally one of state or local government, is inconclusive. The IPC's articulated function is to "expand the markets and increase consumption of potatoes produced in [Idaho], thereby promoting the general welfare of [the citizens of Idaho]." Idaho Code § 22-1201. The power to tax and regulate an industry, Idaho Code §§ 22-1205, 22-1207, are clearly traditional government functions. However, the IPC has also been empowered to "plan and conduct a campaign for commodity advertising, publicity and sales promotion to increase the consumption of potatoes." Idaho Code § 22-1208. It is equally clear that advertising and marketing of produce are not traditional government functions.

The fifth *Mancuso* factor, whether the State of Idaho has a veto power over the IPC, points against immunity. No provision of the Idaho state code provides the state with an

express veto power over the IPC. The IPC argues that the state asserts control over the IPC by subjecting the IPC to audits and mandating that the IPC follow "GAAP government standards" in the preparation and submission of its financial statements. These arguments are unpersuasive as our Court of Appeals has held that state control is not evidenced by the state's attempt to ensure fiscal responsibility. *Mancuso*, 86 F.3d at 296. Equally unpersuasive is the IPC's argument that the Idaho Legislature maintains an "effective veto" through its ability to amend, modify or reject an administrative rule by *any* of the Idaho state agencies, or that the Idaho judicial branch maintains a veto power because of its ability to review and set aside the IPC's enforcement actions upon the petition of an aggrieved person with standing. There is no contention made that the Idaho Court may intrude in the conduct of the IPC simply as part of some generalized visitorial power, or at the behest of some citizen motivated only by a desire for good government.

The sixth, and last, *Mancuso* factor, whether a judgment against the IPC will place the state treasury at risk, also weighs against finding immunity. Idaho law expressly provides that "[a]ll expenses incurred by the [IPC] in performing its duties and exercising its powers shall be without liability on the part of the state." Idaho Code § 22-1210. The relevant statutory provision in *Mancuso* was almost identical. *Mancuso*, 86 F.3d at 296. The IPC argues, however, that pursuant to the Idaho Tort Claims Act, Idaho Code §§ 6-109 *et seq.*, which must be read together with the IPC's organic statute, the state is responsible for non-contractual claims against the IPC. The IPC argues that tort damages recovered against all state agencies are in effect paid out of the state treasury because the funds used to pay unsatisfied judgment are obtained from a "retained risk account," established pursuant to Idaho Code § 67-5776 and administered by the Idaho Department of Administration, Division of Insurance Management, Bureau of Risk Manage-

ment. *See* Ness. Decl. ¶ 3, 4. The Court is unpersuaded by this argument. The IPC is obligated to fund its proportionate share of contributions for building up and maintaining the "retained risk account," Idaho Code § 6-921, and however much the amount of the judgment, the maximum amount that Idaho law allows for payments from the "retained risk account" for any one claim is $500,000.00. *See* Ness. Decl. ¶ 6. Most important, however, is that the IPC, through its counsel, a Deputy Attorney General of the State of Idaho, has conceded that the only way that the state treasury itself would be liable is if the "retained risk account" were depleted and the Idaho Legislature *voluntarily* passed an act "to create additional funding sources." *See Transcript* p. 10. Thus, not only is the "retained risk account" essentially funds of the IPC, and similar sister agencies, in the absence of a voluntary legislative act, no provision of Idaho law commits the Idaho state treasury to satisfy a judgment against the IPC.

With the six factors in a near state of equipoise, as they were in *Mancuso,* the Court turns "to the two purposes underlying the Eleventh Amendment—protection against state liability and respect for state sovereignty," *Mancuso*, 86 F.3d at 296,—"remain[ing] mindful of the Supreme Court's emphasis that 'the vulnerability of the State's purse [is] the most salient factor.'" *Mancuso*, 86 F.3d at 293 (quoting *Hess*, 513 U.S. at 48, 115 S.Ct. 394). As discussed as part of the sixth factor, the state treasury comes into risk only in the event of a voluntary act of the Idaho Legislature. Our Court of Appeals has already determined that the ability and likelihood that the state will pay voluntarily the judgment debts of an entity does not legally obligate the state treasury.

See Feeney v. Port Authority Trans-Hudson Corporation, 873 F.2d 628, 631-32 (2d Cir.1989), *aff'd on other grounds*, 495 U.S. 299, 110 S.Ct. 1868, 109 L.Ed.2d 264 (1990).[4]

As the Idaho state treasury is not legally or practically at risk, the sole remaining question is whether suit in federal court would be an affront to the dignity of the State of Idaho. Knowing, as it does, that the IPC has entered this forum voluntarily as a plaintiff to adjudicate its trademark rights against M & M and Majestic, the Court considers it unlikely that it would be an affront to the IPC or its parent to require it to defend in this forum related claims by the Packer Parties attacking, *inter alia*, the validity of those same trademarks as to which the IPC is plaintiff. Thus, the Court concludes that the Idaho Potato Commission is not entitled to Eleventh Amendment immunity.

Antitrust Violations

Before attacking both the federal and state antitrust violations on the merits, the IPC seeks to dismiss the Packer Parties antitrust claims based upon the "state action" doctrine derived from the landmark case of *Parker v. Brown*, 317 U.S. 341, 63 S.Ct. 307, 87 L.Ed. 315 (1943), and its progeny. Our Court of Appeals has recognized two types of state action antitrust immunity. The first type is "when a state acts in its sovereign capacity, its actions are immune from federal antitrust scrutiny." *Cine 42nd Street Theater Corp. v. Nederlander Org.*, 790 F.2d 1032, 1042 (2d Cir.1986). Thus, this type of state action antitrust immunity requires a finding that the IPC is the state. *Id.* at 1044. The second type provides immunity when the party seeking immunity is not the "the State itself." *See Automated Salvage Transport, Inc. v. Wheelabrator Environmental Systems, Inc.*, 155 F.3d 59,

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[4] This view has been adopted in the Ninth Circuit, Idaho's circuit, as well. *See Durning v. Citibank, N.A.*, 950 F.2d 1419, 1425 n. 3 (9th Cir.1991).

70 (2d Cir.1998). Before a state action defense will be available under those circumstances, the party must first identify a clearly expressed state policy that authorizes its actions, and then prove that its resulting anticompetitive conduct was a foreseeable consequence of the state delegation. *Cine 42nd Theater*, 790 F.2d at 1042-44.

There is insufficient evidence available at this stage of the litigation to permit resolution of this fact intensive issue, even assuming that our *Mancuso* analysis of the status of IPC as an alter ego of the state is correct. The motion is denied with leave to renew after pretrial discovery is complete.

Contract Estoppel against G & T's and Hapco's Trademark claims

The IPC argues that as recently as August 31, 1998, IPC and G & T were parties to a licensing agreement in which G & T acknowledged that the Idaho marks "are valid, registered" marks, and agreed that it "will not during the term of the agreement, or any time thereafter, attack the title or any rights" of the IPC "in and to the relevant Idaho Marks." *See* Kole Decl. at Exh. 1., hereinafter the *G & T Licensing Agreement*. By Memorandum & Order dated August 26, 1998, this Court held that M & M and Hapco were estopped from challenging the validity of the Idaho marks covered by similar language in the M & M and Hapco Licensing Agreements. The *G & T Licensing Agreement* covers all the Idaho marks, except the IPC's state registered trademark/service mark "IDAHO."[5] Thus, this Court dismisses G & T's claims for declaratory judgment on the federal certification marks (First, second and Third Claims) as G & T is estopped from challenging the validity of the federal marks in dispute. However, G & T is not estopped from challenging the state

[5] This mark is registered under No. 6101.

trademark under its Fourth Claim. Consistent with the Court's prior ruling, Hapco's claims seeking cancellation of the federal Idaho marks (First Claim) are barred.

Collateral Estoppel and Res Judicata Effect of the *IPC—Hapco Consent Order*

The IPC seeks to assert collateral estoppel and res judicata against Hapco based on the consent order entered into between the parties. The consent order covers only the Idaho marks covered by the Hapco licensing agreement, which the Court has already ruled that Hapco is barred from challenging. Thus, the Court need not address the collateral estoppel effect of the consent order because such an argument is moot. Likewise, the Court does not have to address whether res judicata would operate based on a consent order entered into before the quasi-administrative IPC,[6] because the only remaining claims of Hapco, cancellation of the state and common law marks and federal and state antitrust violations, were not the same causes of action raised in the litigation that culminated in the consent order. *See In re Teltronics Services, Inc.*, 762 F.2d 185, 190 (2d Cir.1985) (the doctrine of res judicata "applies to preclude later litigation if the earlier decision was (1) a final judgment on the merits, (2) by a court of competent jurisdiction, (3) in a case involving the same parties or their privies, and (4) *involving the same cause of action.*") (emphasis added). Additionally, the IPC has failed to demonstrate that Hapco could have raised its antitrust claims in the prior proceeding. *See DeSario v.*

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[6] *See Amalgamated Sugar Co. v. NL Industries, Inc.*, 825 F.2d 634, 639 (2d Cir.1987) (the general rule is that a final consent decree is entitled to *res judicata* effect because the entry of a consent judgment is an exercise of judicial power), *cert. denied*, 484 U.S. 992, 108 S.Ct. 511, 98 L.Ed.2d 511 (1987); *See also Greenberg v. Board of Governors of the Federal Reserve System*, 968 F.2d 164, 168 (2d Cir.1992) ("res judicata applies to judgments by courts and by administrative agencies acting in an adjudicative capacity").

Thomas, 139 F.3d 80, 87 (2d Cir.1998) ("[F]or any claim to be barred by res judicata, the [party] must have had the opportunity to raise the claim in the first proceeding.") *judgment vacated on other grounds by Slekis v. Thomas*, ___ U.S. ___, 119 S.Ct. 864, 142 L.Ed.2d 767 (1999).

The Court is unpersuaded by the IPC's reliance on *Wallace Clark & Co. v. Acheson Industries, Inc.*, 532 F.2d 846, 849 (2d Cir.) *cert. denied*, 425 U.S. 976, 96 S.Ct. 2177, 48 L.Ed.2d 800 (1976). In *Wallace*, our Court of Appeals held that a consent decree adjudicating a patent's infringement as well as its validity bars a party to the decree from subsequently challenging the validity of that same patent. That analysis is inapposite to Hapco's remaining claims which address cancellation of trademarks not adjudicated under the consent decree or antitrust claims which do not directly challenge the Idaho marks that were adjudicated under the consent decree.

Lastly, the Court finds that the IPC and Hapco did not intend to use the consent decree as a general release for all future claims. The consent order reads, in pertinent part, as follows: "This consent order resolves all matters known and unknown, regardless of location, between IPC and Hapco *to May 1996*." *Consent Order* ¶ 4. Thus, to the extent that Hapco's state and common law trademark claims and antitrust claims involve any matters predicated on facts arising after May 1996, they are not barred.

M & M's Counterclaim for Prima Facie Tort

Under New York law, the elements for a cause of action for prima facie tort are: (1) intentional infliction of harm, (2) causing special damages, (3) without excuse or justification, and (4) by an act or series of acts that would otherwise be lawful. *Burns Jackson Miller Summit & Spitzer v. Lindner*, 59 N.Y.2d 314, 332-33, 464 N.Y.S.2d 712, 721, 451 N.E.2d 459 (1983) Additionally, the plaintiff must allege

"that defendants' sole motivation was 'disinterested malevolence.'" *Id.* (quotations in original). "In other words, the sole motivation for the damaging acts must have been a malicious intention to injure the plaintiff." *Marcella v. ARP Films, Inc.*, 778 F.2d 112, 119 (2d Cir.1985). Our Court of Appeals has held that "[w]hen there are other motives, such as profit, self interest, or business advantage, there is not recovery under the doctrine of prima facie tort." *Id.*

Not only does M & M's Tenth Counterclaim fail to specifically allege that the IPC's actions were solely motivated by "disinterested malevolence," but by repeating and realleging the first 220 paragraphs of its first nine counterclaims into the Tenth Counterclaim, M & M has in effect plead "other motives" for the IPC's actions. M & M's has, therefore, failed to plead an alternative cause of action of prima facie tort. *Compare Burns Jackson Miller Summit & Spitzer v. Lindner*, 59 N.Y.2d at 333, 464 N.Y.S.2d 712, 451 N.E.2d 459. Thus, the IPC's motion to dismiss M & M's Tenth Counterclaim is granted. For these same reasons, the Court, *sua sponte*, dismisses G & T's claim for prima facie tort (Eighth Claim).

Venue

Pursuant to Fed.R.Civ.P. 12(b)(3), the IPC seeks to dismiss the complaints of both G & T and Hapco on grounds of improper venue. Because G & T and Hapco both allege claims under both New York state and federal law, jurisdiction rests on both the diversity of the parties, *see* 28 U.S.C. § 1331, and the presence of a federal question, *see* 28 U.S.C. § 1332. The appropriate venue provision is thus 28 U.S.C. § 1391(b), which applies in civil actions where "jurisdiction is not founded solely on diversity of citizenship." 28 U.S.C. § 1391(b) provides, in relevant part, that such actions may be brought only in: (1) a judicial district where all defendants reside, (2) a judicial district in which "a substantial part of the events or omissions giving rise to the

claim occurred," or (3) a judicial district in which any defendant may be found, if the action cannot be brought in any other district.

Taking in account that (1) the alleged antitrust violations are based on anti-competitive and monopolistic conduct which, if proven, have a detrimental effect on commerce within this district; (2) G & T and Hapco are seeking declaratory relief canceling the trademarks so that they may continue to engage in repacking of potatoes within the district; (3) the IPC has brought suit against M & M and Majestic within this district challenging the same activity which comprise the basis of G & T's and Hapco's complaints; and (4) our Court of Appeals has directed that the District Courts need not determine the best venue, only that venue is proper, *see Bates v. C & S Adjusters, Inc.*, 980 F.2d 865, 867 (2d Cir.1992), the Court holds that a substantial part of the events or omissions giving rise to the G & T's and Hapco's claims occurred within the district. Thus, venue is proper.

HAPCO'S AND M & M'S MOTION FOR RECONSIDERATION

Hapco and M & M both seek reconsideration of issues that the Court has already decided. First, Hapco reargues that it should not be estopped from challenging the Idaho marks of which it acknowledged the validity as part of its licensing agreement with the IPC. Hapco supports this contention by attempting to analogize its position to a "Catch 22." Hapco argues that the only way it could certify its goods is to enter into a licensing agreement with the IPC which in turn requires an agreement to never challenge the Idaho marks. Hapco then claims that the IPC has created a situation, against public policy, where no one will be able to challenge the validity of the Idaho marks. The Court chooses not to travel down that slippery slope with Hapco, as the Court and Hapco need only look to the Court's ruling allowing Majestic to challenge the

Idaho marks, to undermine Hapco's argument. The Court held that although it did not enter into a licensing agreement with IPC, Majestic still has standing to challenge the Idaho marks.

Hapco's second issue for reargument is also denied for want of merit. Once again without citing any law or referencing any evidence, Hapco asks this Court to reconsider its ruling denying partial summary judgment on the basis of cancellation of the Idaho marks pursuant to 15 U.S.C. § 1064(5)(D), which prohibits a certifier from "discriminately refus[ing] to certify or to continue to certify goods or services of any person who maintains the standards or conditions which such mark certifies." The Court has already ruled that § 1064(5)(D) calls for a fact-intensive inquiry, which does not lend itself readily to resolution by summary judgment. Hapco's motion to reconsider is denied on both grounds.

M & M's motion for reconsideration also fails for want of merit. M & M seeks to reargue cancellation of the Idaho marks based on the argument that the IPC commissioners are personally "engage[d] in the production or marketing of any goods or services to which the certification mark is applied." 15 U.S.C. § 1064(5)(B). The Court has already rejected this argument on two separate grounds: first, that the IPC is the registered owner of the Idaho marks and therefore the activities of its individual commissioners are not implicated; and second, that as a matter of law the IPC has not produced or marketed potatoes because the Packers never contended that the IPC sold potatoes bearing any of the Idaho marks.

Conclusion

For the reasons set forth above, IPC's motions to dismiss (doc. nos. 122, 124, and 126) are granted in part and denied in part. Hapco's (doc. no. 106) and M & M's (doc. no. 108) motions for reconsideration are both denied.

The Court hereby stays all proceedings in these consolidated actions for a period of thirty (30) days within which the IPC if so advised may seek appellate review of this interlocutory order to the extent it denies Eleventh Amendment immunity, and if such an appeal is taken the stay shall continue thereafter until the receipt of this Court of the mandate of the Court of Appeals resolving such appeal. *See generally Mancuso*, 86 F.3d at 291; *Puerto Rico Aqueduct & Sewer Authority v. Metcalf & Eddy, Inc.*, 506 U.S. 139, 144, 113 S.Ct. 684, 121 L.Ed.2d 605 (1993).

With respect to all other matters adjudicated in this Memorandum & Order, the Court declines to make the finding contemplated by Fed.R.Civ.P. 54(b).

SO ORDERED.

APPENDIX D

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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97 Civ. 8125 (CLB)

IDAHO POTATO COMMISSION,

Plaintiff,

-against-

M&M PRODUCE FARMS & SALES d/b/a M&M PRODUCE, M&M PACKAGING, INC., MATTHEW ROGOWSKI AND MARK ROGOWSKI, JOHN DOE NO. 1 THROUGH DOE JOHN NO. 100.

Defendants.

HAPCO FARMS, INC.,

Plaintiff,

-against-

IDAHO POTATO COMMISSION,

Defendant.

IDAHO POTATO COMMISSION,

Plaintiff,

-against-

MAJESTIC PRODUCE CORP., MAJESTIC PRODUCE TRUCKING CORP., CHRISTINE RICHARDSON, RITA STRUMPH, JOSEPH STRUMPH, GEORGE RICHARDSON, JOHN DOE NO. 1, THROUGH JOHN DOE NO. 100,

Defendants.

G&T TERMINAL PACKAGING CO., INC.,
Intervenor,

-against-

IDAHO POTATO COMMISSION,
Defendant.

MEMORANDUM & ORDER

Brieant, J.

Presently before the Court in these consolidated cases is a motion brought pursuant to Fed. R. Civ. P. 56 by M&M Produce Farms et al., ("M&M") and Majestic Produce Corp. et al., ("Majestic"), and joined by Hapco Farms, Inc. ("Hapco") (collectively the "Packer Parties" or the "Packers"), for partial summary judgment. Also before the Court is the motion of the Idaho Potato Commission (the "IPC"), brought pursuant to Fed. R. Civ. P. 12(b)(6), and heard and fully submitted on July 10, 1998, to dismiss the amended complaint of Hapco.

For the reasons set forth below, the Packer Parties' motion for partial summary judgment is denied. The IPC's motion to dismiss is denied with leave to renew after Hapco has filed a second amended complaint.

Background

At issue in this case is the validity of five "certification marks" (collectively the "Idaho Marks") duly registered by the IPC or the State of Idaho in the principal register of the United States Patent and Trademark Office (the "PTO"). Under section 45 of the Lanham Act: "[t]he term 'certification mark' means any word, name, [or] symbol, or device ... used by a person other than its owner ... to certify regional or other origin ...." 15 U.S.C. § 1127 (West 1998). The five Idaho Marks are as follows:

(1) Registration number 631,499 (the '499), first registered on July 24, 1956, applies to the following stylized certification mark when used in connection with potatoes:

The '499 certifies the "regional origin" of goods that are so marked. *See* Exh. O to the McCarthy Declaration.

(2) Registration number 802,418 (the '418), first registered on January 11, 1966, applies to the following certification mark when used in connection with potatoes:

IDAHO

The '418 certifies that "goods so marked are grown in the State of Idaho." *See* Exh. E to Frosco Dec.

(3) Registration number 943,815 (the '815), first registered on September 26, 1972, applies to the following stylized certification mark when used in connection with potatoes:

The '815 certifies "that goods so marked are grown in the state of Idaho." *See* Exh. P to McCarthy Dec.

(4) Registration number 1,223,007 (the '007), first registered on January 4, 1983, applies to the following stylized certification mark when used in connection with potatoes:

The '007 certifies "that goods so marked were grown in the State of Idaho." *See* Exh. F to Frosco Dec.

(5) Registration number 1,735,559 (the '559), first registered on November 24, 1992, applies to the use of the following stylized certification:

The '559 certifies that goods so marked are "grown in Idaho." *See* Packer Parties Rule 56.1 Stmt, ¶ 11.

The IPC has alleged, *inter alia*, that the Packer Parties have diluted and counterfeited the Idaho Marks in violation of the Lanham Act, 15 U.S.C. § 1501 *et seq.*, New York and Idaho statutory and common law.[1] By their motion for partial summary judgment, the Packer Parties seek cancellation of each of the Idaho Marks.

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[1] The procedural history underlying these consolidated cases was recited by this Court in its oral ruling of July 20, 1998. *See* Transcript 55-63.

Discussion

I. THE PACKER PARTIES' MOTION FOR PARTIAL SUMMARY JUDGMENT

Summary judgment may not be granted unless "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c); *see Celotex Corp. v. Catrett*, 477 U.S. 317 (1986); *Johnston v. IVAC Corp.*, 885 F.2d 1574, 1576-77 (Fed.Cir.1989). "The trial court's task at the summary judgment motion stage of the litigation is carefully limited to discerning whether there are genuine issues of material fact to be tried, not to deciding them." *Gallo v. Prudential Residential Servs. Ltd. Partnership*, 22 F.3d 1219, 1224 (2d Cir.1994); *see Johnston*, 885 F.2d at 1576-77. A genuine issue of material fact is one that would "effect the outcome of the suit under the governing law." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). In considering the Packer Parties' motion for summary judgment, the Court is mindful that they bear the burden of proof, and must "establish the case for cancellation by a preponderance of the evidence." *Midwest Plastic Fabricators, Inc. v. Underwriters Laboratories, Inc.*, 906 F.2d 1568, 1571 (Fed. Cir. 1990); *see also Anderson*, 477 U.S. at 248 (courts must consider substantive evidentiary standards in deciding summary judgment motions).

Essentially, the Packer Parties advance two categories of arguments in favor of canceling the Idaho Marks. First, they contend that the term "Idaho" has become a generic term for a Russet baking potato and that therefore the Idaho Marks, or portions thereof, are subject to cancellation under the Lanham Act § 14(3) and 15(4). Second, the Packers invoke several of the special criteria relating to certification marks found in Lanham Act § 14(5). Before assessing the validity of these arguments, the Court must address a threshold contention

advanced by the IPC, namely, that the Packer Parties lack standing to challenge the validity of the Idaho Marks on various statutory and equitable grounds.

A. Standing Issues

1. *15 U.S.C. § 1064*

15 U.S.C. § 1064 provides that "any person who believes that he or she will be damaged by the registration of a mark on the principal register" may petition to have that mark canceled "at any time" on the ground that it is generic under § 1064(3), or on the specific grounds relating to certification marks set forth under § 1064(5). The IPC contends that the Packers do not have standing to cancel the Idaho Marks under 15 U.S.C. § 1064 because such standing only "exists for persons who were refused certification after meeting the prescribed standards or conditions of the certifier." *See* 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 20:60 (4th ed. 1998) (hereinafter "*McCarthy*"); *see also American Auto. Ass'n v. Nat'l Auto. Ass'n*, 127 U.S.P.Q. 423 (T.T.A.B.1960); *American Angus Ass'n v. Sysco Corp.*, 865 F. Supp. 1174, 1182 (W.D.N.C. 1993).

In the circumstances of this case, the Court must reject the position urged by the IPC, and apparently supported by *McCarthy*, as well as the *American Angus* and *American Auto* decisions, that standing to challenge the Idaho Marks should be limited to only those who have been refused certification after meeting the prescribed standards of the IPC. Here, the IPC has sued M&M and Majestic alleging *inter alia*, that they have diluted and counterfeited the Idaho Marks in violation of the Lanham Act. *See e.g.*, Majestic Complaint at ¶ 26-27. Were this Court to deny the Packers standing to challenge the validity of the Idaho Marks, the IPC could then recover for the alleged dilution and counterfeiting, even if the Marks were themselves invalid. Such a result would be absurd. The

Packers are clearly entitled to challenge the validity of the Idaho Marks under 15 U.S.C. § 1064. Such a challenge is a compulsory counterclaim as required by Fed. R. Civ. P. 13(a), and will be considered by this Court.[2]

2. *Licensee Estoppel*

The IPC's contention that licensee estoppel will somehow bar the challenge to the Idaho Marks presented by this case is of little practical consequence. It is true that both M&M and Hapco entered into licensing agreements with the IPC through which they acknowledged that certain of the Idaho Marks "are valid, registered marks," and also agreed that they "will not during the term of the agreement, or at any time thereafter, attack the title or any rights" of the IPC in and to the relevant Idaho Marks. *See* Frosco Reply Decl. at Exh. D, hereinafter the *M&M Licensing Agreement*, at ¶ 16 and ¶ 18 and Kole Decl. at Exh. 1, hereinafter the *Hapco Licensing Agreement*, at ¶ 12 and ¶ 13. It is undisputed, however, that unlike M&M and Hapco, Majestic has never entered into any contract with the IPC. Thus, Majestic cannot possibly be barred from challenging the Idaho Marks.

Nevertheless, the IPC cannot be deprived of the benefits of its bargained for licensing agreements with Hapco and M&M. In arguing to the contrary, Hapco and M&M rely heavily on a footnote to the opinion of the Trademark Trial and Appeal Board ("Board") in *Midwest Plastic Fabricators Inc. v. Underwriters Laboratories Inc.*, 12 U.S.P.Q.2d 1267, 1275

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[2] Even if the standard for standing urged by the IPC is applicable to this case, the Packer Parties arguably have such standing in this case. The Packers are not merely competitors of the IPC. As the IPC itself recounts: Majestic unsuccessfully applied for a license to use the Idaho Marks in the fall of 1996, and the IPC demanded that M&M return its license in 1995. *See* IPC Mem. at 6-7.

n.6 (T.T.A.B. 1989), *aff'd*, 906 F.2d 1568 (Fed. Cir. 1990), which states in pertinent part:

> We maintain ... that there can be no licensee estoppel involving a certification mark because of the unique character of a certification mark and the basic difference in concept between a certification mark whose owner is obligated to certify the goods or services of anyone who meets and maintains certain standards and conditions and a trademark used through related companies whereby the trademark owner/licensor may choose the licensees that use its mark.

Midwest Plastic, 12 U.S.P.Q.2d at 1275 n.6; *see also McCarthy* at § 18:63 (discussing but not endorsing *Midwest Plastic* footnote). Quoting this language, the Packer Parties argue that "licensing in and of itself is an impermissible use of a certification mark under the Lanham Act." Accordingly, they argue that the IPC may not invoke licensee estoppel as against Hapco and M&M. *See* Packer Reply Mem. at 28.

The Court disagrees. It is true that owners of certification marks are statutorily required to certify the goods of any person who meets the standards which such marks certify: Lanham Act § 14(5)(D) provides for the cancellation of a certification mark at any time on the ground that the registrant "discriminately refuses to certify the goods or services of any person who maintains the standards or conditions which such mark certifies." *See* 15 U.S.C. § 1064(5)(D); *In re Monsanto Co.*, 201 U.S.P.Q. 864, 870 (T.T.A.B. 1978). This statutory requirement cannot, however, be assumed to amount to a *per se* prohibition on the licensing of certification marks, or any contracted for estoppel arising from such arrangements.

In the absence of any statutory language which would suggest otherwise, the Court is satisfied that the Restatement (Third) of Unfair Competition is correct in stating that "[t]he owner of a ... certification mark ... *may license* another to use the designation." *See* Restatement (Third) of Unfair

Competition, at § 33 (1995) (emphasis added); *see also id.* at § 33a ("A license is an agreement under which the owner of a ... certification mark authorizes use of the designation by another"). Any conclusion to the contrary would defy commercial reality in that such licensing appears to be a common arrangement. *See e.g., American Angus Ass'n v. Sysco Corp.*, 865 F. Supp. 1174, 1180 (W.D.N.C. 1993) (noting that certifier of "Angus Beef' licensed packing houses to apply its mark to the beef which meets its specifications). A prohibition on certifier licensing would also be irreconcilable with the statutory scheme of the Lanham Act as a whole. The Act provides that certification marks may be canceled at any time if the certifier "does not control the use of the mark" or "permits the use of the certification mark for purposes other than to certify." *See* 15 U.S.C. § 1064(5)(A) and (D).[3] It is difficult to see how the IPC could comply with these provisions—i.e. maintain control over the Idaho Marks, and insure that they are used only to certify potatoes grown in Idaho—without some form of licensing arrangement. Clearly, the Lanham Act cannot be said to prohibit certifiers from licensing their marks. Instead, all that is required is that such licenses *must* be granted where the licensee's products meet the applicable standards of the certifer, an arrangement which has been termed "a form of limited compulsory licensing." *In re University of Mississippi,* 1 U.S.P.Q.2d 1909, 1910 (T.T.A.B. 1987) (quoting *McCarthy* at § 19:96)).[4]

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[3] As one commentator has noted, under these provisions: "certifiers should withdraw, from manufacturers, licenses to use certification marks on products that no longer meet required standards and take aggressive action against companies that make unauthorized use of marks. Preventing the misuse of marks by companies whose products do not merit certification will reduce consumer deception and help certifiers capture their costs." Jamie A. Grodsky, *Certified Green: The Law and Future of Environmental Labeling*, 10 Yale J. on Reg. 147, 213 (Winter 1993).

[4] In other portions of the *University of Mississippi* opinion, the Board suggests that offering to license a certification mark constitutes an

In view of the fact that the Lanham Act does not prohibit licensing arrangements *per se*, the Court fails to see why the estoppel clauses in the contracts effecting such arrangements should not be enforced. Parties to a Lanham Act controversy may contract between themselves for any legal purpose. *Peyrat v. L. N. Renault & Sons, Inc.*, 247 F.Supp.1009 (S.D.N.Y.1965). Here, notwithstanding the Packers' assertions to the contrary, the licensing agreements at issue are obviously not unconscionable. Nor are they ambiguous. In clear language they set forth M&M and Hapco's agreement not to "attack the title or any rights" of the IPC to the relevant Idaho Marks during the effective term of the agreements, "or at any time thereafter." *See Hapco Licensing Agreement*, at ¶ 13; *see also M&M Licensing Agreement*, at ¶ 18. Case law reveals that this is not even a close question. While licensee estoppel may not survive the expiration of the contract where the contract itself is silent on the subject, *see e.g., Professional Golfers Ass'n of America v. Bankers Life & Casualty Co.*, 514 F.2d 665, 668-669 and 671 (5th Cir.1975), courts have consistently enforced estoppel in circumstances directly analogous to this case. *See MWS Wire Indus., Inc. v. California Fine Wire Co.*, 797 F.2d 799 (9th Cir.1986) (finding that defendant could have challenged the validity of the contested trademark prior to entering into agreement but now is estoppel from doing so); *Beer Nuts, Inc. v. King Nut Co.*, 477 F.2d 326 (6th Cir.1973) (determining that King Nut Company is precluded from contesting the validity of a trademark due to contract), *cert. denied*, 414 U.S. 858 (1973); *E.F. Prichard v. Consumers Brewing Co.*, 136 F.2d 512, 521 (6th Cir.1943), *cert. denied*, 321 U.S. 763 (1944) (holding that defendant is estopped from contesting plaintiff's right to

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impermissible use, where such licensing "inures to the benefit of the licensor." *See* 1 U.S.P.Q.2d at 1911. The question of whether the IPC's specific licensing arrangements constitute an impermissible form of "limited compulsory licensing" is a question of fact, as discussed *infra*.

name and mark); *Long John Silver's, Inc. v. Washington Franchise, Inc.*, 209 U.S.P.Q.146 (E.D.Va. 1980) (holding that defendant was estopped from challenging plaintiff's ownership of marks because defendant acknowledged mark in franchise agreements).[5]

In sum, the Court holds that M&M and Hapco are estopped from challenging the validity of the Idaho Marks covered by the M&M and Hapco *Licensing Agreements*. However, such estoppel does not bar M&M or Hapco from challenging either the '007, or the IPC's state registered trademark/service mark "IDAHO," neither of which is mentioned in the Agreements. In any case, as noted above, because Majestic was never a licensee of the IPC, licensee estoppel will not, as a practical matter, bar consideration of the challenge to the Idaho Marks in this litigation.

3. *Laches*

The IPC also claims that the doctrine of laches bars the Packers from challenging the Idaho Marks. To prevail on a claim of laches, the IPC must show that the Packers unduly delayed in asserting rights against it, and that it has suffered prejudice resulting from the Packers delay. *National Cable Television Ass'n, Inc. v. American Cinema Editors, Inc.*, 937 F.2d 1572, 1580 (Fed.Cir.1991). According to the IPC, because the five Idaho Marks were registered in 1956, 1966, 1972, 1983 and 1992, the Packers "have been sitting on their purported rights for 42 years, 32 years, 26 years, 15 years and six years, respectively." *See* IPC Mem. at 10.

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[5] It is of no matter that these cases involve trademarks, rather than certification marks. As discussed above, the owners of certification marks can license their marks, just as trademark holders can, and are therefore clearly entitled to licensee estoppel where the licensing agreement specifically provides for it.

This argument is predicated on the assumption that laches may be invoked in *all* cases, regardless of the underlying merits. This assumption is unfounded. Although the Lanham Act does provide that "[i]n all inter parties proceedings ... equitable principles of laches where applicable may be considered and applied," *see* 15 U.S.C. § 1069, application of such principles is clearly not mandatory, and in any case is limited by important public policy considerations. As noted above, in this case the Packers seek cancellation on two grounds. First they claim that the term "Idaho" has allegedly become generic under 15 U.S.C. § 1064(3). Second, they move for cancellation pursuant to 15 U.S.C. § 1064(5), and have specifically expressed their intent to seek cancellation at trial on the grounds that the IPC has failed to control the Idaho Marks under 15 U.S.C. § 1064(5)(A). *See* Packer Mem. at 18 n.9.

Courts have consistently held that laches is not available as a defense to either of these asserted grounds for cancellation. With respect to challenges based on the alleged generic nature of a mark, in *Loglan Institute, Inc. v. Logical Language Group, Inc.*, the Federal Circuit affirmed the Board's rejection of equitable defenses, including laches, raised in a cancellation proceeding, on the rationale that:

> While the Board must consider such defenses, we determine that it properly exercised its discretion in not allowing the defenses to prevail here. As the Board stated, these defenses cannot override the controlling fact that [the mark at issue] is the generic name ... and that it cannot therefore be a trademark .... The Board did not err in declining to apply the defenses, as the public interest in a cancellation proceeding to rid the register of a generic mark transcends them.

962 F.2d 1038, 1042 (Fed.Cir.1992). Similarly, the Board has held that the laches defense is not available in cancellation proceeding based on a claim that respondent failed to

control the use of certification mark under 15 U.S.C. § 1064(5)(A), because the public interest in certification marks, and in assuring that such marks are being properly controlled, outweighed any possible injury resulting from the challenger's inaction. *See Midwest Plastic Fabricators Inc. v. Underwriters Laboratories Inc.*, 5 U.S.P.Q. 2d 1067, 1069 (T.T.A.B. 1987).

In sum, the Court holds that while laches may generally be an available defense under the Lanham Act, here there exists a greater public interest in preventing a party from enjoying the benefits of registration where a trial might show that the challenged marks are invalid. Of course, such a showing has not yet been made, and may never be. But the Court will not deny the Packers the right to attempt to make their case by allowing the IPC to rely on laches. *See Harjo v. Pro Football Inc.*, 30 U.S.P.Q.2d 1828, 1831 (T.T.A.B. 1994).

4. *Unclean Hands*

The question of whether the doctrine of "unclean hands" may bar the Packers' challenges to the Idaho Marks is hardly an issue in view of the public interest in the outcome of this litigation. In any case, the IPC has failed to show that the Packers' come to this Court with unclean hands, and the Court declines to estop the Packers from asserting their challenge to the Idaho Marks on that basis.[6]

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[6] The IPC's efforts in this regard include characterizing the Packer Parties throughout their papers as "the Counterfeiters." Apparently this appellation is very offensive to Hapco, and it has filed a motion on behalf of the Packer Parties entitled: "*Motion to Strike Scandalous and Impertinent Material*." *See* Doc. Nos. 86 and 87. The Court is confident that now that the IPC has been sufficiently apprized of the Packer's sensitivity toward the offending appellation, it will discontinue its use. The motion is denied.

B. The Packer Parties' Arguments For Cancellation

1. *Whether the Term "Idaho" is Generic?*

While a certification mark may certify regional origin, if such a mark becomes a generic term denoting a certain type of goods coming from *any* region, the rights to that mark cease to be incontestable, *see* 15 U.S.C. § 1065(4), and are subject to cancellation "at any time." I5 U.S.C. § 1064(3); *see Community of Roquefort v. Faehndrich, Inc.*, 303 F.2d 494, 497 (2d Cir.1962); *McCarthy* at § 19.91. The Packers contend that each of the Idaho Marks, or portions thereof, are subject to cancellation because the term "Idaho" when used to refer to Idaho potatoes has become a generic term for Russet baking potatoes. *See* Def. Reply Mem. at 3. They also claim that they are entitled to partial summary judgment on that basis. The Court disagrees.

It is axiomatic that generic terms are not entitled to protection under the Lanham Act, because such protection would effectively "grant the owner of the mark a monopoly, since a competitor could not describe his goods as what they are." *CES Publishing Corp. v. St. Regis, Publications, Inc.*, 531 F.2d 11, 13 (2d Cir.1975). The test for determining whether a term is generic is "what does the public think the word connotes—the generic name of the product or a mark indicating merely one source of the product." *McCarthy*, § 12:4; *SportsChannel Associates v. Commissioner of Patents and Trademarks*, 903 F.Supp. 418, 424 (E.D.N.Y. 1995) (Spatt, J.) (citing *Magic Wand Inc. v. RDB Inc.*, 940 F.2d 638, 640-41 (Fed. Cir.1991); *In re Northland Aluminum Prods. Inc.*, 777 F.2d 1556, 1559 (Fed. Cir.1985)). The standard to be used in applying this test is the "primary significance" the public ascribes to the relevant mark. 15 U.S.C. § 1064(3); *McCarthy*, § 12:7 and *see SportsChannel*, 903 F.Supp. at 424 (citing cases). Thus, "[w]hen the meaning of a [certification] mark that had previously served as an indication of origin changes so that its principal significance

to purchasers is that of indicating the nature or class of goods and its function as an indication of origin is subservient thereto, it is no longer a mark but rather is a generic term." *Community of Roquefort*, 303 F.2d at 497.

In this case, essentially the question presented by the Packers' motion for summary judgment is whether the term "Idaho" when used in connection with potatoes, has become so well known that it conjures up the characteristics of the product itself (i.e., the Russet baking potato) rather than its source (i.e., Idaho). Our Court of Appeals has held that such a question is one of fact, *see Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 973 F.2d 1033, 1039 (2d Cir.1992), and has emphasized repeatedly that the careful weighing of evidence necessary to determine a mark's classification—such as whether it has become generic—renders such an inquiry "an unlikely candidate for summary judgment." *Coach Leatherware Co. v. AnnTaylor, Inc.*, 933 F.2d 162,168 (2d Cir.1991).[7]

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[7] The case against summary judgment is even stronger where the opposing party has not been afforded an adequate opportunity to argue the issue. *See Schering Corp. v. Home Ins. Co.*, 712 F.2d 4, 10 (2d Cir.1983). The IPC has objected, in an August 19, 1998 letter, to the Court's consideration of the "genericness" argument, because the Packers raised it for the first time in their 40 page reply memorandum, thereby depriving the IPC of a chance to respond to their position. The IPC correctly points out that the Packers' initial memorandum contained no discussion of the law governing the genericness issue. Arguments made for the first time in a reply brief are not generally to be considered by a court. *Pyramyd Stone International v. Crosman Corp.*, 1997 WL 66778 *17-18 n. 3 (S.D.N.Y. 1997); *Playboy Enters., Inc. v. Dumas*, 960 F.Supp. 710, 720 n. 7 (S.D.N.Y.1997) ("It would be manifestly unfair to allow Dumas to make a complex and possibly dispositive argument after Playboy's opportunity to respond has passed, thereby silencing Playboy on the issue and depriving the Court of Playboy's views on the question raised." *aff'd.*, ___ F.3d ___,1998 WL 398795 (2nd Cir.1998)).

By letter dated August 19, 1998, the Packers have explained, and the Court accepts, that they believed the issue of genericness to have been

The Packer Parties' first argument for summary judgment is that the IPC has effectively conceded that the term "Idaho" has become generic. In support of this argument, the Packer Parties point to statements made by Patrick J. Kole, Esq., Vice President of Legal and Governmental Affairs for the IPC, to the effect that:

> The Idaho potato is considered unique ... [and is] a potato with consistently higher starch content which produces optimum flavor and texture. Research has shown that consumers identify the Idaho potato as a Russet Burbank potato. [Over] 90 percent of fresh potatoes shipped from Idaho are of the Russet Burbank variety, and consumers have come to identify the quailties associated with that variety as an "Idaho" potato.

See Kole Decl., Oct. 30, 1997, ¶ 5 at Frosco Decl., Exh C; and Kole Decl. in Opp'n., ¶ 36. The Court fails to see how this language amounts to a concession that the term "Idaho" has become generic. Mr. Kole's point is simply that consumers identify Idaho potatoes of being of unusually high quality, due to the unique characteristics of Idaho's soil and climate.

The Packers' next argument relies heavily on *In re Cooperative Produttori Latte E Fontina Valle D'Acosta*, 230 U.S.P.Q. 131 (T.T.A.B. 1986). In that case, the Trademark Trial and Appeal Board (the "Board") affirmed a denial of complete registration on the basis of newspaper articles and dictionary definitions which demonstrated that Fontina is the

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raised by the IPC in its Brief, and that they felt compelled to reply. A barrage of additional correspondence ensued. No further papers will be accepted on this issue. The Court has determined that even absent the IPC's views on the subject, a trial will be necessary to determine whether the term "Idaho" is generic.

generic name of a type of cheese.[8] The Board relied on *inter alia*, (1) Webster's Third New International Dictionary,[9] which defined "fontina," as "a semisoft to hard ripened cheese of Italian origin that varies in flavor from mild to medium sharp["]; and (2) Cassell's Italian Dictionary (1978), defining that word as a "[k]ind of soft cheese," and (3) an article from The New York Times discussing the relative qualities and costs of differing varieties of Fontina cheeses. *See In re Cooperative*, 230 U.S.P.Q. at 133. Relying on these sources, but noting that the record before it was somewhat confused, the Board rejected the applicant's position that "fontina" was a certification mark indicating regional origin.

After carefully considering the issue, the Court concludes that the *In re Cooperative* decision does not entitle the Packer Parties to judgment as a matter of law at this stage of the litigation. As the Federal Circuit noted in distinguishing *In re Cooperative* to conclude that the public did not perceive the term "Montrachet" to be generic designation for a type of goat cheese, "[e]ach case must be decided according to its facts." *In re Montrachet S.A.*, 878 F.2d 375 (Fed.Cir.1989). The facts offered by the Packer Parties in support of their position in this case include: (1) a publication entitled *The Food Lover's Companion*, which notes that: "The Russet Burbank was named for its developer, horticulturalist Luther Burbank of Idaho. Although grown throughout the Midwest, the russet is also commonly called Idaho potato (whether or not its grown there)," *see* Def. Reply Mem. at 5 (no copy appears to be in the record); and (2) Webster's Dictionary

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[8] The same standards apply both in the context of cancellation of registered marks and applications for registration. *SportsChannel*, 903 F.Supp. at 424 (citing cases).

[9] The Court relies on Webster's Third New International Dictionary (Merriam-Webster 1993) (hereinafter "Webster's Dictionary").

which defines "Idaho" as "an elongated potato rich in starch and suitable for baking that is grown *esp.* in Idaho." *See* Exh. L. to Frosco Rep. Decl.

Although persuasive evidence, neither of these definitions compel the legal conclusion that the public perceives the term "Idaho" to be generic term for Russet potatoes. Unlike the sources relied on in *In re Cooperative*, which revealed clearly that several different forms of cheese fell under the umbrella term "Fontina," here the language cited by the Packers, in particular Webster's Dictionary, suggest that the public may well associate the term "Idaho" with potatoes grown in Idaho.

In any case, there remains considerable factual uncertainty as to how the public perceives the term "Idaho." That uncertainty is evidenced primarily by the results of a survey commissioned by the IPC, but submitted by the Packer Parties on this motion, which found that only 58 percent of those surveyed believed that "Idaho potatoes are grown in Idaho." *See* Frosco Reply Decl. at Exh. J. While courts may generally consider consumer survey evidence in determining how the public regard the mark at issue, no bright line percentage test has emerged to determine whether such a mark is generic. Our Court of Appeals has held in that where 75 percent of the public regarded the word "thermos" as generic, then that was its "principal significance," and it was not entitled to trademark protection. *King-Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577, 579 (2d Cir.1963). On the other hand, if 75 percent of the public regard a term as a trademark for a certain good "then that term would be principally a trademark." *McCarthy*, at §12:6 (citing *Stix Products, Inc. v. United Merchants & Mfrs., Inc.*, 295 F.Supp. 479 (S.D.N.Y.1968)).

Even assuming its reliability, (which cannot be determined at this stage of the litigation), standing alone the 58 percentage figure proffered in this case does not entitle either party to summary judgment, and in fact confirms that a trial is

necessary. Indeed, in *SportsChannel, supra*, despite the applicant's submission of survey data demonstrating that 65.6% of those polled believed the term for which protection was sought—"SportsChannel"—was a trade name, Judge Span concluded that there remained a genuine issue of material fact as to whether that term was generic. In this case, the results of the survey proffered by the Packer Parties simply supports this Court's determination that a genuine issue of material fact remains as to whether "Idaho" is a generic term for Russet potatoes.[10]

In addition to the Packers' substantive arguments, the Court acknowledges that there are definite policy considerations which favor the Packer Parties' position in this case. Foremost amongst such considerations is the public interest in free trade, and in preventing the IPC from assuming monopoly power by prohibiting those who package or sell potatoes actually grown in Idaho from being able to truthfully describe their products.[11] On the other hand, it is

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[10] The Court notes that even is [sic] the term "Idaho" is determined to be generic, the IPC could still seek to recover for the Packers alleged counterfeiting of the Idaho Marks at trial. With the exception of the '418, all of the Idaho Marks are composite in nature in that they comprise what appear to be distinctively stylized symbols which incorporate the terms "Idaho" or "Grown in Idaho." Generic terms are nevertheless protectable if accompanied by a distinctive design. *See McCarthy* at § 12:40 and at § 12:39 ("A composite mark that comprises a generic name combined with some protectable feature, may produce a composite that is protectable. The most famous example is the mark COCA-COLA, which was a held a valid composite mark, even though it included the generic term COLA." (citing cases)). As such, some of the Idaho Marks may remain protectable, even if the evidence at trial establishes that the term "Idaho" is generic. The Court, however, expresses no present view on the matter.

[11] This is not to say that the Packer Parties, or any other party for that matter, may misbrand, or "counterfeit" as the IPC alleges they have done in this case, potatoes not grown in Idaho, as "Idaho Potatoes." Indeed, in this case the IPC asserts claims pursuant to section 43(a) of the Lanham

undisputed that over $100 million has been invested by the IPC and by the State of Idaho to promote consumer recognition of the Idaho Marks. While no amount of money poured into promoting a generic term can justify depriving market participants of the right to describe their products by name, the Court has concluded that if the term "Idaho" is a generic term for Russet potatoes, it may not be classified as such on a summary judgment motion. *See PaperCutter, Inc. v. Fay's Drug Co., Inc.*, 900 F.2d 558, 562 (2d Cir.1990).

2. *15 U.S.C. §1064(5)*

As noted above, the Packer Parties also seek cancellation of the Idaho Marks pursuant to 15 U.S.C. § 1064(5). That statute provides that any party with standing to seek cancellation of a certification mark may do so on the grounds that the challenged registrant:

> (A) does not control, or is not able legitimately to exercise control over, the use of such mark, or (B) engages in the production or marketing of any goods or services to which the certification mark is applied, or (C) permits the use of the certification mark for purposes other than to certify, or (D) discriminately refuses to

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Act, 15 U.S.C. § 1125(a), which provides for a civil action in favor of those who believe they have been damaged, or are likely to be damaged, by the use of a "false designation of origin" on a goods. *See e.g.*, Majestic Complaint at ¶ 1. It should also be noted in this context that the Perishable Agricultural Commodities Act ("PACA") makes it unlawful for "any commission, merchant, dealer, or broker to misrepresent by work, act, mark, stencil, label, statement, or deed the ... State ... or region of origin of any perishable agricultural commodity ... sold in interstate or foreign commerce." 7 U.S.C. § 499b(5) and *see e.g., Potato Sales Company, Inc. v. Department of Agriculture*, 92 F.3d 800 (9th Cir.1996) (affirming Secretary of Agriculture's imposition of sanctions on seller who packaged 7,554 cartons of New Zealand apples to look like Washington apples).

> certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies ....

15 U.S.C. § 1064(5). The Packer Parties move for summary judgment, and thus for cancellation of the Idaho Marks, under 15 U.S.C. § 1064(5), subsections (B), (C) and (D).[12] Unlike cancellation on the grounds of genericness under 15 U.S.C. § 1064(3), which might leave some of the composite Idaho Marks intact, were the Packers to prevail under § 1064(5), each of the Idaho Marks would be canceled in their entirety.

(a) 15 U.S.C. § 1064(5)(B)

Under 15 U.S.C. § 1064(5)(B), a certification mark may be canceled if the "registrant ... engages in the production or marketing of any goods or services to which the certification mark is applied." This provision is designed to preserve the certifier's objectivity by preventing it from producing and marketing the very product which it allows to bear its certification marks. *See In re Monsanto*, 201 U.S.P.Q. 864, 869 (T.T.A.B. 1978) (explaining that a certification mark is by its very definition a mark used by a party other than its owner to certify that the underlying good meets the owner's quality standards).

The membership of the Idaho Potato Commission is set by state statue, specifically Idaho Code § 22-1202, which provides in pertinent part:

> [T]he "Idaho potato commission" [is] to be composed of nine (9) practical potato persons, resident citizens of the state of Idaho for a period of three (3) years prior to their appointment each of whom has had active experience in

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[12] The Packer Parties concede that questions of fact exist as to the IPC's exercise of control over the Idaho Marks and thus have chosen not to move for summary judgment under § 1064(5)(A). *See* Packer Mem. at 18 n. 9.

> growing, or shipping, or processing of potatoes produced in the state of Idaho. At least five (5) members of said commission shall be growers who are actually now engaged in the production of potatoes. Two (2) of the members shall be shippers who are actually now engaged in the shipping of potatoes, and two (2) of the members shall be processors who are actually now engaged in the processing of potatoes.

The Packer Parties contend that because the IPC comprises nine commissioners who are actually engaged in the growing, processing or shipping of potatoes, the Idaho Marks must be canceled under § 1064(5)(B), because the IPC commissioners are effectively certifying their own products. *See* Packer Mem. at 17.

No case offered, nor any uncovered by independent research, supports the Packer Parties' position in this regard. The IPC itself, rather than its individual commissioners, is the registered owner of the Idaho Marks. Under the express terms of § 1064(5)(B) only the registrant is forbidden from producing the goods associated with the registered marks. In light of the undisputed fact that the IPC has never itself produced Idaho potatoes, the Court fails to see how the activities of its individual commissioners render the Idaho Marks invalid.

Equally unpersuasive is the Packers's contention that the IPC has itself engaged in the "marketing" of Idaho potatoes as forbidden by the language of § 1064(5)(B). Neither party disputes that the IPC spent over 50% of its budget on advertising in 1997. We will also assume, without deciding, that the IPC's advertising and promotional activities extend to the promotion of actual Idaho potatoes, and are not confined to what would be the clearly permissible promotion of the Idaho Marks as reliable "indicators of the origin of potatoes that bear [those marks]." *See* Statement of Frederick Mostert, President, International Trademark Association, Hearings Before the United States House of Representatives, Com-

mittee on the Judiciary, Subcommittee on Courts and Intellectual Property, 105th Cong. (May 21, 1998) at 1998 WL 265190 (hereinafter "Congressional Statement").

The question remaining, however, is whether 15 U.S.C. § 1064(5)(B)'s prohibition against "marketing" means, as the Packers contend, that the "Lanham Act prohibits the IPC from *advertising* Idaho Potatoes." *See* Packers Reply Mem. at 10 (emphasis added). It does not as a matter of law. Statutory interpretation starts with the language of the statute itself. *See Asgrow Seed Co. v. Winterboer*, 513 U.S. 179, 187 (1995); *Harris v. Sullivan*, 968 F.2d 263, 265 (2d Cir.1992). Where that language is clear and does not contradict a clearly expressed legislative intent, the court's inquiry is complete and the language controls. *See United States v. Turkette*, 452 U.S. 576, 580 (1981).

Though again this is an issue of first impression, the Court rejects the Packers' assertion that the Lanham Act prohibits the IPC from merely advertising Idaho Potatoes. By its plain language, the statute prohibits "marketing," defined by Webster's Dictionary as "the act of selling or purchasing in a market" or "the bringing or sending of goods to market." As stated by the Supreme Court, while "extensive promotional activities" may constitute a "part of the 'marketing,'" the term "marketing" itself "ordinarily refers to the act of holding forth property for sale, together with the activities preparatory thereto." *Asgrow Seed Co, v. Winterboer*, 513 U.S. at 187. (quotations omitted).

Defining the term "marketing," whether or not it involves advertising, to include "the holding forth for sale" of the relevant product, comports with the Court's own view, as well as with other courts' treatment of the subject. *See, e.g., American Angus*, 865 F.Supp. at 1184 ("the evidence presented to counter Plaintiff's motion for summary judgment shows no conduct by Plaintiff other than promotion and advertising, both of which obviously are allowed and used by

organizations holding certification marks"(citing cases)).[13] Indeed, the Packers themselves concede the validity of this definition, by repeatedly asserting that the "plain meaning of the word 'marketing' encompasses' more than selling." *See* Packers Reply Mem. at 9, 11 and 12. That is precisely the point. While marketing may encompass "more than selling," it does "encompass ... selling." *Id.* at 11, 12. As such, advertising alone, without selling, cannot rise to the level of "marketing" as forbidden by § 1064(5)(B).

In sum, because the Packers "do not contend that the IPC has ever sold potatoes bearing any of the" Idaho Marks, *see* Packers Mem. at 24, their motion for partial summary judgment based on § 1064(5)(B) must be denied. While the Packers may wish to press this issue at trial, to do so in good faith they will need to present evidence that the IPC has held forth Idaho potatoes for sale.

(b) 15 U.S.C. § 1064(5)(C)

The Packer Parties also argue for the cancellation of various of the Idaho Marks on the grounds that the IPC permits their use "for purposes other than to certify" in violation of 15 U.S.C. § 1064(5)(C). Because a certification mark cannot be used for purposes other than to certify, the same certification mark may not also be registered as a trademark, or as a service mark.[14] *See In re Monsanto Co.*,

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[13] This definition of "marketing" is consistent with a host of federal agricultural statutes which define the term to include selling. *See, e.g.*, 7 U.S.C. § 1359bb(d)(4); § 1445-1; § 7412.

[14] Lanham Act § 45, 15 U.S.C. § 1127, provides that the "term 'service mark' means any word, name, symbol, or device, or any combination thereof—(1) used by a person, or (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown."

201 U.S.P.Q. 864, 866 (TTAB 1978). The Packers contend that various of the Idaho Marks have been registered as both.

(i) The Alleged Dual Use of the '007 as a Trademark

It is undisputed that the IPC filed on March 17, 1997 and has pending before the PTO an application for the registration of the following stylized trademark:

[Figure not included in slip opinion]

See Packer Reply Mem. at Appendix A; McCarthy Decl. Exh. E (hereinafter the "Famous Potatoes Trademark"). It is also undisputed that the stylized symbol in the middle of the Famous Potatoes Trademark is identical to the '007 certification mark.

Invoking the prohibition against the dual use of a mark as both a certification mark and a trademark, the Packers contend that the '007 must be canceled.[15] The test for determining whether a similar mark may be used both as a certification mark and as a trademark is two-fold. The first preliminary inquiry is whether the two marks are "separate and distinct" or whether they are "substantially or virtually identical" such that they "create the same general impression and therefore the same general recollection as both trademarks and certification marks." *In re 88Open Consortium*

[15] The Court notes that the Famous Potatoes Application is not yet even a trademark, and therefore may not qualify as a predicate mark for purposes of the dual use analysis offered by the Packer Parties. The Court will assume, however, that the Famous Potatoes Application will become a federal trademark, or is in any case a common law trademark.

Ltd., 28 U.S.P.Q.2d 1314, 1315 (T.T.A.B. 1993) (quoting *In re Monsanto*, 201 U.S.P.Q. at 869)). If the marks are not "separate and distinct"—the second, and more important of the two inquiries comes into play—even if the marks are "virtually identical," it remains permissible to utilize the "identical designation as both a trademark and as a certification mark provided that when the identical designation was used as a certification mark, it was used in *a 'different setting' such that consumers would recognize it as a certification mark and not as a trademark.*" *88Open Consortium*, 28 U.S.P.Q.2d at 1315 (quoting *In re Monsanto*, 201 U.S.P.Q. at 869) (emphasis added). Thus, for example, the identical mark "GOOD HOUSEKEEPING" can be used as part of a certification mark for household products and also as a trademark for a magazine. *See In re Monsanto*, 201 U.S.P.Q. at 869.

In this case, even if the Court were to assume that the '007 is "virtually identical" to the Famous Potatoes Trademark,[16] an issue of fact would remain as to whether the latter is used

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[16] There is precedent which would suggest that the '007 is virtually identical to the Famous Idaho Mark. *See Monsanto*, 201 U.S.P.Q. at 870 (holding that while the certification mark sought by the applicant did contain design matter in addition to the term WEAR-DATED, the mark's "salient and distinguishing feature was the term 'WEAR-DATED,' and no material distinction for purposes herein can be made between this mark and the registered marks so as to justify the allowance of said mark as a certification mark so long as the other registrations are permitted to exist."). In this Court's view, the determination in *Monsanto* that the two marks were virtually identical, was to some extent a function of the Board's prior finding that the applicant used both marks for similar purposes. *Id.* at 869-870. As the GOOD HOUSEKEEPING example cited above demonstrates, the essential inquiry for dual use analysis is whether the challenged mark is to be used for similar purposes. *See also McCarthy* at § 19.94 (noting du Pont's permissible use of a non-stick coating under the trademark TEFLON and its use of TEFLON II DU PONT APPROVED FINISH with a background to certify coating conformed to du Pont's standards).

in "a 'different setting' such that consumers would recognize it as a certification mark and not as a trademark." In the *88Open Consortium* case, the Board allowed the words "88OPEN" across a circle containing the words "Compatibility Certified" to be registered as a certification mark for computers, even though the applicant owned trademark and service mark registrations of 88OPEN without the circular design for various goods and services relating to computers. *See* 28 U.S.P.Q. at 1315-1317. Although the Board agreed that the symbolized term 88OPEN was the dominant portion of both the prior registrations and the certification mark sought, it nevertheless allowed certification on the grounds that: "the words COMPATIBILITY CERTIFIED ... clearly serve to inform those seeing the mark that it is functioning as a certification mark." *Id.* at 1316. More importantly, the certification mark sought was used to certify the design and manufacture compatibility of computer products, which the Board concluded was a different setting than the use of the prior registered trademark in connection with computer manuals and the prior registered service mark to promote the interests of computer vendors. *Id.*[17]

In this case, it is undisputed that the '007 is used on potatoes. On the other hand, the IPC contends, and the Packers do not dispute, that the Famous Potatoes Trademark is not in fact used on potatoes, but is instead used for promotional items like jewelry, hand tools and dolls. *See* IPC Mem. at 39; Packer Mem. at 23-24. Because the two marks are used in entirely "different settings" the Court cannot conclude as a matter of law that the '007 must be canceled on the grounds of its impermissible dual use as a trademark.

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[17] The Court fails to see any merit the Packer Parties' attempt to distinguish between cases like this one, where the prior registered mark is a certification mark, and cases like as *Monsanto* and *88Open Consortium* where the prior registered mark was a trademark. *See* Packers' Reply Mem. at 37-38.

Should the Packer Parties insist on advancing the "dual use" argument at trial, to do so in good faith they will have to proffer some evidence that the Famous Potatoes Trademark is used in connection with actual potatoes.[18]

(ii) The Alleged Dual Use of the Idaho Marks as Service Marks

In the case of *In re Florida Citrus Commission*, the Board refused to register a composite mark containing the term "OJ" as a certification mark for oranges grown in Florida meeting the Florida Citrus Commission's standards, based on the mere fact that the Florida Citrus Commission had already registered the term "OJ" as a service mark for the service of promoting Florida orange juice. *See* 160 U.S.P.Q. 495, 495-496 (T.T.A.B. 1968). Although the Packer Parties point to many interesting similarities between the IPC and the Florida Citrus Commission, and also to similarities between the Idaho Marks and the mark "OJ," the fact remains that the IPC has never even applied to register any of its Idaho Marks as service marks with the PTO. Accordingly, the *In re Florida Citrus Commission* case does not compel cancellation of the Idaho Marks under § 1064(5)(C) here.

(iii) The Alleged Dual Use of the '418 as a State Trademark

The Packer Parties contend that the '418, which comprises simply the word "Idaho," must be canceled for impermissible dual use as a federal certification mark and as a state trademark. It is true that the '418 is registered both with the PTO as a certification mark, and as a "trademark-service" mark with the Secretary of State of Idaho. *See* Kole Decl.

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[18] The Court notes that the application to the PTO indicates that the Famous Potatoes Trademark will be used in connection with goods and services such as "photographs of potatoes, potatoes, potato field and processed potatoes." *See* McCarthy Decl. Exh. E.

Exh. 7. However, the IPC has explained, and independent research has confirmed, that this is so because the State of Idaho Code simply contains no classification for "certification" marks.[19] Thus, while the '418, like all marks in Idaho, is classified as a "trademark-service" mark, its state registration expressly specifies that its manner of use is to "certif[y] that the goods so marked are grown in the State of Idaho." *See* Kole Decl. Exh. 7. Because the state registration of the '418 is clearly as a certification mark, the federally registered '418 may not be canceled on the basis of dual use.[20]

(iv) The IPC's Other Allegedly Impermissible Uses of the Idaho Marks

In addition to claiming that the IPC has violated § 1064(5)(C) by using the Idaho Marks as trademarks and service marks, the Packer Parties point to other allegedly impermissible uses, including the placement of the Idaho Marks on dolls, stationary, industry directories, magazines, and T-shirts. *See* Packer Reply Mem. at Appendix B. Such uses, according to the Packers, are obviously "for purposes other than to certify" in violation of 15 U.S.C. § 1064(5)(C).[21]

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[19] The term "certification mark" does not appear in the Idaho Code, except in § 22-1207 which sets forth the powers and duties of the IPC. In that context, the term certification mark quite clearly relates to the IPC's federally held marks.

[20] For the same reason, the Idaho Code's prohibition on registering trademarks which are primarily geographically descriptive, *see* Idaho Code § 48-502(e), is not applicable to the state registered '418 as a certification mark, and it may not be canceled on that basis.

[21] The Packers also contend that licensing is an impermissible use of the Idaho Marks. This argument is largely semantic and is unpersuasive: the Idaho Marks are not *used* to license, they are *used* to certify and to promote.

No case cited by the Packers, nor any uncovered by independent research, stands for the proposition that a certification mark may be canceled on such a formalistic theory. Instead, the Congressional Statement cited by the Packer Parties indicates that under "existing case law" the IPC is free to "market its certification marks as a reliable indicator of the potatoes that bear that mark." *See, also Underwriters Laboratories, Inc. v. United Laboratories, Inc.*, 203 U.S.P.Q. 180, 183 (N.D. Ill. 1978) (denying cancellation where there was evidence that the owner used the challenged mark "in promotional or information materials and in its corporate logo ...."). The Court is satisfied that the IPC's uses of the Idaho Marks on promotional items such as dolls, stationary and T-shirts and the like, are quite clearly attempts to promote the Marks themselves, and as such are not grounds for cancellation under 15 U.S.C. § 1064(5)(C).

(c) 15 U.S.C. § 1064(5)(D)

The Packer Parties final argument for cancellation is brought pursuant to 15 U.S.C. § 1064(5)(D). which prohibits a certifier from "discriminately refus[ing] to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies." The Packers proffer various examples of what it believes to be the IPC's discriminate refusal to certify. In particular, the Packers point out that under the IPC's licensing system, prospective licensees must undergo a thorough background and credit check, and must subject themselves to audits through which the IPC undertakes to insure that the Idaho Marks are not being used in connection with the sale of potatoes not grown in Idaho. More specifically, the Packers complain that the IPC terminated M&M's license based on M&M's inability to produce records of potatoes sold, despite M&M's claim that such records were destroyed by "a fire." Such a refusal to license, according to the Packers, constitutes

dispositive evidence of a "discriminate refus[al] to certify," in violation of 15 U.S.C. § 1064(5)(D). *See* Packers' Mem. at 27-28.

The Court disagrees. We have already concluded that the IPC's licensing of the Idaho Marks is not a *per se* violation of the Lanham Act. *See supra*. Thus, while the actual manner in which the IPC administers its licensing program may as a matter of fact constitute a "discriminate refus[al] to certify," in violation of 15 U.S.C. § 1064(5)(D),[22] the IPC's licensing program in of itself cannot entitle the Packers to summary judgment under that subsection, or any other. In the Court's view, § 1064(5)(D) calls for a fact-intensive inquiry, which does not readily lend itself to resolution on a summary judgment motion.[23] Accordingly, the Packer Parties' Motion for partial summary judgment under 15 U.S.C. § 1064(5)(D) is denied.

II. THE IPC'S MOTION TO DISMISS THE HAPCO COMPLAINT

At oral argument on July 20, 1998, the Court was informed that Hapco had prepared a second amended complaint, which for the first time asserted antitrust claims against the IPC. *See*

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[22] The Court notes that while the IPC charges only modest fees for the Idaho Marks, Idaho Code § 22-1207 (1998) provides that all Idaho businesses pay $100, and all out-of-state businesses $300, for their use. While the Packers have referred to Idaho Code § 22-1207, *see* Packers Mem. at 8, they have not argued that the IPC's practice of charging different rates for domestic licensees and out-of-state licensees constitutes a "discriminate refus[al] to certify" in violation of 15 U.S.C. § 1064(5)(D). Nor have they offered proof as to whether the IPC actually attempted to charge any of them higher out-of-state rates. *See id.* at 27-28. In view of the undeveloped state of the record on this issue, the Court will reserve judgment on it until after trial.

[23] For example, the question of whether the IPC "discriminately refused to certify" based on M&M's lack of sufficient records, despite M&M's claim that such records were destroyed by "a fire" may present a host of credibility issues, which are not resolvable on this record.

Transcript at 12-14. The IPC's motion to dismiss presently pending before the Court is directed solely, however, at Hapco's first amended complaint. While the Court consented to considering that motion at oral argument, subsequent developments render such consideration impractical.

On August 11, 1998, intervenor G&T filed a complaint in this action, in which it alleges antitrust violations by the IPC. On August 12, 1998 the IPC moved to dismiss the complaint of G&T. In the Court's view the claims available to both G&T and to Hapco in this case are substantially similar, and the Court declines to consider the IPC's motions to dismiss the two complaints in piecemeal fashion, especially where Hapco has not yet asserted its antitrust claim, and where this Memorandum & Order may bear directly on the issues implicated by such motions. Accordingly, Hapco is granted leave to file a second amended complaint within 20 days. The IPC's motion to dismiss is denied with leave to renew following that filing. The stay on discovery imposed by this Court is lifted.

Conclusion

For the reasons set forth above, the Packer Parties' motion for partial summary judgment is denied. The IPC's motion to dismiss Hapco's amended complaint is denied with leave to renew, once Hapco has filed its second amended complaint. The Packer Parties' "Motion to Strike Scandalous and Impertinent Material" is denied. *See* Doc. Nos. 86 and 87.

SO ORDERED

Dated: White Plains, New York
August 26, 1998

/s/ Charles L. Brieant
CHARLES L. BRIEANT, U.S.D.J.

APPENDIX E

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT
Thurgood Marshall United States Court House
40 Foley Square
New York 10007

Roseann B. Mackechnie
Clerk

[Filed Sep. 2, 2003]

Dkt. No: 02-7792(L)

At a stated term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse, Foley Square, in the City of New York, on the 2nd day of September, two thousand three.

IDAHO POTATO COMMISSION,
Plaintiff-Appellant-
Cross-Appellee,

v.

M&M PRODUCE FARM,
Defendant-Counter-Claimant-
Appellee-Cross-Appellant.

A petition for panel rehearing and a petition for rehearing en banc having been filed herein by the appellant Idaho Potato Commission.

Upon consideration by the panel that ecided the appeal, it is Ordered that said petition for rehearing is DENIED.

It is further noted that the petition for rehearing en banc has been transmitted to the judges for the court in regular active

service and to any other judge that heard the appeal and that no such judge has requested that a vote be taken thereon.

FOR THE COURT

ROSEANN B. MACKECHNIE, Clerk

By: /s/ Arthur M. Heller
ARTHUR M. HELLER,
Motions Staff Attorney

APPENDIX F

15 U.S.C. § 1051. Application for registration; verification

(a) Application for use of trademark

(1) The owner of a trademark used in commerce may request registration of its trademark on the principal register hereby established by paying the prescribed fee and filing in the Patent and Trademark Office an application and a verified statement, in such form as may be prescribed by the Director, and such number of specimens or facsimiles of the mark as used as may be required by the Director.

(2) The application shall include specification of the applicant's domicile and citizenship, the date of the applicant's first use of the mark, the date of the applicant's first use of the mark in commerce, the goods in connection with which the mark is used, and a drawing of the mark.

(3) The statement shall be verified by the applicant and specify that—

(A) the person making the verification believes that he or she, or the juristic person in whose behalf he or she makes the verification, to be the owner of the mark sought to be registered;

(B) to the best of the verifier's knowledge and belief, the facts recited in the application are accurate;

(C) the mark is in use in commerce; and

(D) to the best of the verifier's knowledge and belief, no other person has the right to use such mark in commerce either in the identical form thereof or in such near resemblance thereto as to be likely, when used on or in connection with the goods of such other person, to cause confusion, or to cause mistake, or to deceive, except

that, in the case of every application claiming concurrent use, the applicant shall—

(i) state exceptions to the claim of exclusive use; and

(ii) shall specify, to the extent of the verifier's knowledge—

(I) any concurrent use by others;

(II) the goods on or in connection with which and the areas in which each concurrent use exists;

(III) the periods of each use; and

(IV) the goods and area for which the applicant desires registration.

(4) The applicant shall comply with such rules or regulations as may be prescribed by the Director. The Director shall promulgate rules prescribing the requirements for the application and for obtaining a filing date herein.

(b) Application for bona fide intention to use trademark

(1) A person who has a bona fide intention, under circumstances showing the good faith of such person, to use a trademark in commerce may request registration of its trademark on the principal register hereby established by paying the prescribed fee and filing in the Patent and Trademark Office an application and a verified statement, in such form as may be prescribed by the Director.

(2) The application shall include specification of the applicant's domicile and citizenship, the goods in connection with which the applicant has a bona fide intention to use the mark, and a drawing of the mark.

(3) The statement shall be verified by the applicant and specify—

(A) that the person making the verification believes that he or she, or the juristic person in whose behalf he or

she makes the verification, to be entitled to use the mark in commerce;

(B) the applicant's bona fide intention to use the mark in commerce;

(C) that, to the best of the verifier's knowledge and belief, the facts recited in the application are accurate; and

(D) that, to the best of the verifier's knowledge and belief, no other person has the right to use such mark in commerce either in the identical form thereof or in such near resemblance thereto as to be likely, when used on or in connection with the goods of such other person, to cause confusion, or to cause mistake, or to deceive.

Except for applications filed pursuant to section 1126 of this title, no mark shall be registered until the applicant has met the requirements of subsections (c) and (d) of this section.

(4) The applicant shall comply with such rules or regulations as may be prescribed by the Director. The Director shall promulgate rules prescribing the requirements for the application and for obtaining a filing date herein.

(c) Amendment of application under subsection (b) to conform to requirements of subsection (a)

At any time during examination of an application filed under subsection (b) of this section, an applicant who has made use of the mark in commerce may claim the benefits of such use for purposes of this chapter, by amending his or her application to bring it into conformity with the requirements of subsection (a) of this section.

(d) Verified statement that trademark is used in commerce

(1) Within six months after the date on which the notice of allowance with respect to a mark is issued under section 1063(b)(2) of this title to an applicant under subsection (b)

of this section, the applicant shall file in the Patent and Trademark Office, together with such number of specimens or facsimiles of the mark as used in commerce as may be required by the Director and payment of the prescribed fee, a verified statement that the mark is in use in commerce and specifying the date of the applicant's first use of the mark in commerce and those goods or services specified in the notice of allowance on or in connection with which the mark is used in commerce. Subject to examination and acceptance of the statement of use, the mark shall be registered in the Patent and Trademark Office, a certificate of registration shall be issued for those goods or services recited in the statement of use for which the mark is entitled to registration, and notice of registration shall be published in the Official Gazette of the Patent and Trademark Office. Such examination may include an examination of the factors set forth in subsections (a) through (e) of section 1052 of this title. The notice of registration shall specify the goods or services for which the mark is registered.

(2) The Director shall extend, for one additional 6-month period, the time for filing the statement of use under paragraph (1), upon written request of the applicant before the expiration of the 6-month period provided in paragraph (1). In addition to an extension under the preceding sentence, the Director may, upon a showing of good cause by the applicant, further extend the time for filing the statement of use under paragraph (1) for periods aggregating not more than 24 months, pursuant to written request of the applicant made before the expiration of the last extension granted under this paragraph. Any request for an extension under this paragraph shall be accompanied by a verified statement that the applicant has a continued bona fide intention to use the mark in commerce and specifying those goods or services identified in the notice of allowance on or in connection with which the applicant

has a continued bona fide intention to use the mark in commerce. Any request for an extension under this paragraph shall be accompanied by payment of the prescribed fee. The Director shall issue regulations setting forth guidelines for determining what constitutes good cause for purposes of this paragraph.

(3) The Director shall notify any applicant who files a statement of use of the acceptance or refusal thereof and, if the statement of use is refused, the reasons for the refusal. An applicant may amend the statement of use.

(4) The failure to timely file a verified statement of use under paragraph (1) or an extension request under paragraph (2) shall result in abandonment of the application, unless it can be shown to the satisfaction of the Director that the delay in responding was unintentional, in which case the time for filing may be extended, but for a period not to exceed the period specified in paragraphs (1) and (2) for filing a statement of use.

(e) Designation of resident for service of process and notices

If the applicant is not domiciled in the United States the applicant may designate, by a document filed in the United States Patent and Trademark Office, the name and address of a person resident in the United States on whom may be served notices or process in proceedings affecting the mark. Such notices or process may be served upon the person so designated by leaving with that person or mailing to that person a copy thereof at the address specified in the last designation so filed. If the person so designated cannot be found at the address given in the last designation, or if the registrant does not designate by a document filed in the United States Patent and Trademark Office the name and address of a person resident in the United States on whom may be served notices or process in proceedings affecting the mark, such notices or process may be served on the Director.

(July 5, 1946, c. 540, Title I, § 1, 60 Stat. 427; Oct. 9, 1962, Pub.L. 87- 772, § 1, 76 Stat. 769; Jan. 2, 1975, Pub.L. 93-596, § 1, 88 Stat. 1949; Nov. 16, 1988, Pub.L. 100-667, Title I, § 103, 102 Stat. 3935; Oct. 30, 1998, Pub.L. 105-330, Title II, § 201(a)(1), 112 Stat. 3069; Aug. 5, 1999, Pub.L. 106-43, § 6(b), 113 Stat. 220; Oct. 30, 1998, Pub.L. 105- 330, Title I, § 103, 112 Stat. 3064; Nov. 29, 1999, Pub.L. 106-113, Div. B, § 1000(a)(9) [Title IV, § 4732(b)(1)(B)], 113 Stat. 1536, 1501A-583; Nov. 2, 2002, Pub.L. 107-273, Div. C, Title III, § 13207(b)(1), (2), 116 Stat. 1906.)

15 U.S.C. § 1054. Collective marks and certification marks registrable

Subject to the provisions relating to the registration of trademarks, so far as they are applicable, collective and certification marks, including indications of regional origin, shall be registrable under this chapter, in the same manner and with the same effect as are trademarks, by persons, and nations, States, municipalities, and the like, exercising legitimate control over the use of the marks sought to be registered, even though not possessing an industrial or commercial establishment, and when registered they shall be entitled to the protection provided in this chapter in the case of trademarks, except in the case of certification marks when used so as to represent falsely that the owner or a user thereof makes or sells the goods or performs the services on or in connection with which such mark is used. Applications and procedure under this section shall conform as nearly as practicable to those prescribed for the registration of trademarks.

(July 5, 1946, c. 540, Title I, § 4, 60 Stat. 429; Nov. 16, 1988, Pub. L. 100-667, Title I, § 106, 102 Stat. 3938; Aug. 5, 1999, Pub.L. 106-43, § 6(b), 113 Stat. 220.)

15 U.S.C. § 1064. Cancellation of registration

A petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed as follows by any person who believes that he is or will be damaged, including as a result of dilution under section 1125(c) of this title, by the registration of a mark on the principal register established by this chapter, or under the Act of March 3, 1881, or the Act of February 20, 1905:

(1) Within five years from the date of the registration of the mark under this chapter.

(2) Within five years from the date of publication under section 1062(c) of this title of a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905.

(3) At any time if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or is functional, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 1054 of this title or of subsection (a), (b), or (c) of section 1052 of this title for a registration under this chapter, or contrary to similar prohibitory provisions of such prior Acts for a registration under such Acts, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used. If the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition to cancel the registration for only those goods or services may be filed. A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the

registered mark has become the generic name of goods or services on or in connection with which it has been used.

(4) At any time if the mark is registered under the Act of March 3, 1881, or the Act of February 20, 1905, and has not been published under the provisions of subsection (c) of section 1062 of this title.

(5) At any time in the case of a certification mark on the ground that the registrant (A) does not control, or is not able legitimately to exercise control over, the use of such mark, or (B) engages in the production or marketing of any goods or services to which the certification mark is applied, or (C) permits the use of the certification mark for purposes other than to certify, or (D) discriminately refuses to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies:

Provided, That the Federal Trade Commission may apply to cancel on the grounds specified in paragraphs (3) and (5) of this section any mark registered on the principal register established by this chapter, and the prescribed fee shall not be required.

Nothing in paragraph (5) shall be deemed to prohibit the registrant from using its certification mark in advertising or promoting recognition of the certification program or of the goods or services meeting the certification standards of the registrant. Such uses of the certification mark shall not be grounds for cancellation under paragraph (5), so long as the registrant does not itself produce, manufacture, or sell any of the certified goods or services to which its identical certification mark is applied.

(July 5, 1946, c. 540, Title I, § 14, 60 Stat. 433; Oct. 9, 1962, Pub.L. 87-772, § 9, 76 Stat. 771; Aug. 27, 1982, Pub.L. 97-247, § 9(b), 96 Stat. 320; Nov. 8, 1984, Pub.L. 98-620, Title I, § 102, 98 Stat. 3335; Nov. 16, 1988, Pub.L. 100-667, Title I, § 115, 102 Stat. 3940; Oct. 30, 1998, Pub.L. 105-330, Title II,

§ 201(a)(4), Title III, § 301, 112 Stat. 3070; Aug. 5, 1999, Pub.L. 106-43, § 2(c), 113 Stat. 218.)

15 U.S.C. § 1114. Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

As used in this paragraph, the term "any person" includes the United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, or other persons acting for the United States and with the authorization and consent of the United States, and any State, any instrumentality of a State, and any officer or employee of a State or

instrumentality of a State acting in his or her official capacity. The United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, other persons acting for the United States and with the authorization and consent of the United States, and any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

(2) Notwithstanding any other provision of this chapter, the remedies given to the owner of a right infringed under this chapter or to a person bringing an action under section 1125(a) or (d) of this title shall be limited as follows:

(A) Where an infringer or violator is engaged solely in the business of printing the mark or violating matter for others and establishes that he or she was an innocent infringer or innocent violator, the owner of the right infringed or person bringing the action under section 1125(a) of this title shall be entitled as against such infringer or violator only to an injunction against future printing.

(B) Where the infringement or violation complained of is contained in or is part of paid advertising matter in a newspaper, magazine, or other similar periodical or in an electronic communication as defined in section 2510(12) of Title 18, the remedies of the owner of the right infringed or person bringing the action under section 1125(a) of this title as against the publisher or distributor of such newspaper, magazine, or other similar periodical or electronic communication shall be limited to an injunction against the presentation of such advertising matter in future issues of such newspapers, magazines, or other similar periodicals or in future transmissions of such electronic communications. The limitations of this subparagraph shall apply only to innocent infringers and innocent violators.

(C) Injunctive relief shall not be available to the owner of the right infringed or person bringing the action under

section 1125(a) of this title with respect to an issue of a newspaper, magazine, or other similar periodical or an electronic communication containing infringing matter or violating matter where restraining the dissemination of such infringing matter or violating matter in any particular issue of such periodical or in an electronic communication would delay the delivery of such issue or transmission of such electronic communication after the regular time for such delivery or transmission, and such delay would be due to the method by which publication and distribution of such periodical or transmission of such electronic communication is customarily conducted in accordance with sound business practice, and not due to any method or device adopted to evade this section or to prevent or delay the issuance of an injunction or restraining order with respect to such infringing matter or violating matter.

(D)(i)(I) A domain name registrar, a domain name registry, or other domain name registration authority that takes any action described under clause (ii) affecting a domain name shall not be liable for monetary relief or, except as provided in subclause (II), for injunctive relief, to any person for such action, regardless of whether the domain name is finally determined to infringe or dilute the mark.

(II) A domain name registrar, domain name registry, or other domain name registration authority described in subclause (I) may be subject to injunctive relief only if such registrar, registry, or other registration authority has—

(aa) not expeditiously deposited with a court, in which an action has been filed regarding the disposition of the domain name, documents sufficient for the court to establish the court's control and authority regarding the disposition of the registration and use of the domain name;

(bb) transferred, suspended, or otherwise modified the domain name during the pendency of the action, except upon order of the court; or

(cc) willfully failed to comply with any such court order.

(ii) An action referred to under clause (i)(I) is any action of refusing to register, removing from registration, transferring, temporarily disabling, or permanently canceling a domain name—

(I) in compliance with a court order under section 1125(d) of this title; or

(II) in the implementation of a reasonable policy by such registrar, registry, or authority prohibiting the registration of a domain name that is identical to, confusingly similar to, or dilutive of another's mark.

(iii) A domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for damages under this section for the registration or maintenance of a domain name for another absent a showing of bad faith intent to profit from such registration or maintenance of the domain name.

(iv) If a registrar, registry, or other registration authority takes an action described under clause (ii) based on a knowing and material misrepresentation by any other person that a domain name is identical to, confusingly similar to, or dilutive of a mark, the person making the knowing and material misrepresentation shall be liable for any damages, including costs and attorney's fees, incurred by the domain name registrant as a result of such action. The court may also grant injunctive relief to the domain name registrant, including the reactivation of the domain name or the transfer of the domain name to the domain name registrant.

(v) A domain name registrant whose domain name has been suspended, disabled, or transferred under a policy described under clause (ii)(II) may, upon notice to the mark owner, file a civil action to establish that the registration or use of the domain name by such registrant is not unlawful under this chapter. The court may grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant.

(E) As used in this paragraph—

(i) the term "violator" means a person who violates section 1125(a) of this title; and

(ii) the term "violating matter" means matter that is the subject of a violation under section 1125(a) of this title.

(July 5, 1946, c. 540, Title VI, § 32, 60 Stat. 437; Oct. 9, 1962, Pub.L. 87-772, § 17, 76 Stat. 773; Nov. 16, 1988, Pub.L. 100-667, Title I, § 127, 102 Stat. 3943; Oct. 27, 1992, Pub.L. 102-542, § 3(a), 106 Stat. 3567; Oct. 30, 1998, Pub.L. 105-330, Title II, § 201(a)(8), 112 Stat. 3070; Aug. 5, 1999, Pub.L. 106-43, § 4(a), 113 Stat. 219; Nov. 29, 1999, Pub.L. 106-113, Div. B, § 1000(a)(9) [Title III, § 3004], Nov. 29, 1999, 113 Stat. 1536, 1501A-549.)

15 U.S.C. § 1127. Construction and definitions; intent of chapter

In the construction of this chapter, unless the contrary is plainly apparent from the context—

The United States includes and embraces all territory which is under its jurisdiction and control.

The word "commerce" means all commerce which may lawfully be regulated by Congress.

The term "principal register" refers to the register provided for by sections 1051 to 1072 of this title, and the term "supplemental register" refers to the register provided for by sections 1091 to 1096 of this title.

The term "person" and any other word or term used to designate the applicant or other entitled to a benefit or privilege or rendered liable under the provisions of this chapter includes a juristic person as well as a natural person. The term "juristic person" includes a firm, corporation, union, association, or other organization capable of suing and being sued in a court of law.

The term "person" also includes the United States, any agency or instrumentality thereof, or any individual, firm, or corporation acting for the United States and with the authorization and consent of the United States. The United States, any agency or instrumentality thereof, and any individual, firm, or corporation acting for the United States and with the authorization and consent of the United States, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

The term "person" also includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

The terms "applicant" and "registrant" embrace the legal representatives, predecessors, successors and assigns of such applicant or registrant.

The term "Director" means the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.

The term "related company" means any person whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used.

The terms "trade name" and "commercial name" mean any name used by a person to identify his or her business or vocation.

The term "trademark" includes any word, name, symbol, or device, or any combination thereof—

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter,

to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

The term "service mark" means any word, name, symbol, or device, or any combination thereof—

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter,

to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown. Titles, character names, and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor.

The term "certification mark" means any word, name, symbol, or device, or any combination thereof—

(1) used by a person other than its owner, or

(2) which its owner has a bona fide intention to permit a person other than the owner to use in commerce and files an application to register on the principal register established by this chapter,

to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization.

The term "collective mark" means a trademark or service mark—

(1) used by the members of a cooperative, an association, or other collective group or organization, or

(2) which such cooperative, association, or other collective group or organization has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter,

and includes marks indicating membership in a union, an association, or other organization.

The term "mark" includes any trademark, service mark, collective mark, or certification mark.

The term "use in commerce" means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—

(1) on goods when—

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

A mark shall be deemed to be "abandoned" if either of the following occurs:

(1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. "Use" of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.

(2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this paragraph.

The term "dilution" means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—

(1) competition between the owner of the famous mark and other parties, or

(2) likelihood of confusion, mistake, or deception.

The term "colorable imitation" includes any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive.

The term "registered mark" means a mark registered in the United States Patent and Trademark Office under this chapter

or under the Act of March 3, 1881, or the Act of February 20, 1905, or the Act of March 19, 1920. The phrase "marks registered in the Patent and Trademark Office" means registered marks.

The term "Act of March 3, 1881", "Act of February 20, 1905", or "Act of March 19, 1920", means the respective Act as amended.

A "counterfeit" is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.

The term "domain name" means any alphanumeric designation which is registered with or assigned by any domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet.

The term "Internet" has the meaning given that term in section 230(f)(1) Title 47.

Words used in the singular include the plural and vice versa.

The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations.

(July 5, 1946, c. 540, Title X, § 45, 60 Stat. 443; Oct. 9, 1962, Pub.L. 87-772, § 21, 76 Stat. 774; Jan. 2, 1975, Pub.L. 93-596, § 1, 88 Stat. 1949; Nov. 8, 1984, Pub.L. 98-620, Title I, § 103, 98 Stat. 3335; Nov. 16, 1988, Pub.L. 100-667, Title I, § 134, 102 Stat. 3946; Oct. 27, 1992, Pub.L. 102-542, § 3(d),

106 Stat. 3568; Dec. 8, 1994, Pub.L. 103-465, Title V, § 521, 108 Stat. 4981; Jan. 16, 1996, Pub.L. 104-98, § 4, 109 Stat. 986; Aug. 5, 1999, Pub.L. 106-43, §§ 4(c), 6(b), 113 Stat. 219, 220; Nov. 29, 1999, Pub.L. 106-113, Div. B, § 1000(a)(9) [Title III, § 3005, Title IV, § 4732(b)(1)(A)], 113 Stat. 1536, 1501A-550, 1501A-583.)